

**Time** 2.00 pm **Public Meeting?** YES **Type of meeting** Pensions

**Venue** Committee Room 3 - 3rd Floor - Civic Centre, St Peter's Square, Wolverhampton, WV1 1SH

## Membership

### Employer Representatives

Jacqueline Carman  
Councillor Jasbir Jaspal  
Paul Johnson  
Ian Martin  
Joe McCormick

### Member Representatives

Sharon Campion (Unison)  
Steve Carter (GMB)  
Michael Foxall (Unite)  
George Hickman (Unite)  
Cllr Hazel Malcolm  
Adrian Turner (Unison)

Quorum for this meeting is four (minimum of two member and two employer representatives and include either the Chair or the Vice Chair)

## Information for the Public

If you have any queries about this meeting, please contact the Democratic Services team:

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Some items are discussed in private because of their confidential or commercial nature. These reports are not available to the public.

# Agenda

## Part 1 – items open to the press and public

- | <i>Item No.</i> | <i>Title</i>  |
|-----------------|---|
| 1               | <b>Apologies for absence</b>  |
| 2               | <b>Declaration of interests</b>   |
| 3               | <b>Minutes of the previous meeting - 2 July 2019</b> (Pages 3 - 8)<br>[For approval]  |
| 4               | <b>Matters arising</b><br>[To consider any matters arising from the minutes of the previous meeting]  |
| 5               | <b>Legal and Compliance Update</b> (Pages 9 - 20)<br>[To provide an update on the work of the Fund to deliver a well governed scheme]   |
| 6               | <b>Business Performance Update</b> (Pages 21 - 30)<br>[To provide an update on the delivery of the Fund's 2019 – 2024 Service Plan through monitoring the performance of its corporate priorities and service delivery]   |
| 7               | <b>Pensions Administration Report 1 April to 30 June 2019</b> (Pages 31 - 44)<br>[To provide an update on the work undertaken by the pensions administration service areas during the period 1 April to the 30 June 2019 for both the Main Fund and the WMITA Fund] |
| 8               | <b>Customer Engagement Update</b> (Pages 45 - 58)<br>[To provide an update of the Fund's customer engagement activity from 1 April to 30 June 2019, in line with its Customer Engagement Strategy]  |
| 9               | <b>Data Management Report April - August 2019</b> (Pages 59 - 64)<br>[To provide an update on the work of the Fund in delivering improved data quality in line with the Pension Regulator's Code of Practice]   |
| 10              | <b>Annual Report and Accounts 2018/19</b> (Pages 65 - 70)<br>[To provide an update on the preparation, approval and audit of the Statement of Accounts and the Annual Report for the year ending 31 March 2019]   |
| 11              | <b>Investment Update</b> (Pages 71 - 76)<br>[To provide an update on investment related matters including the ongoing development of LGPS Central Investment Pool and the Fund's responsible investment activities]   |
| 12              | <b>2019 Actuarial Valuation Update - Process and Emerging Considerations</b><br>(Pages 77 - 82)<br>[To provide an update on progress of the 2019 actuarial valuation]   |

<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Pensions Board</b> <b>Minutes - 2 July 2019</b>
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## Attendance

### Members of the Pensions Board

#### Employer representatives

Cllr Jasbir Jaspal  
Paul Johnson  
Ian Martin  
Joe McCormick

#### Member representatives

Sharon Champion  
Cllr Hazel Malcolm  
Adrian Turner

#### Employees

Rachel Brothwood	Director of Pensions - West Midlands Pension Fund
Paul Carter	Regulatory Governance Manager - West Midlands Pension Fund
Jill Davys	Assistant Director - Investments and Finance- West Midlands Pension Fund
Dereck Francis	Democratic Services Officer - City of Wolverhampton Council
Rachel Howe	Head of Governance and Corporate Services- West Midlands Pension Fund
Amanda McDonald	Client Lead Auditor - City of Wolverhampton Council
Amy Regler	Head of Operations- West Midlands Pension Fund
Holly Slater	Governance Officer- West Midlands Pension Fund
Simon Taylor	Head of Pensions - West Midlands Pension Fund

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## Part 1 – items open to the press and public

*Item No. Title*

- 1 **Election of Chair**  
Rachel Brothwood, Director of Pensions updated the Board on changes to its membership. An employer representative had been appointed from within the group of the Fund's admitted body employers but had subsequently had to step back due to work commitments. The Fund was looking to recruit from the same employer representative group and the position was being advertised and would be promoted at the Mid-Year Review event on 3 July. Other changes included the appointment of Councillor Jasbir Jaspal as an employer representative by City of Wolverhampton Council.

Resolved:

That Joe McCormick be elected Chair of the Board for the remainder of the Municipal Year 2019-2020.

2 **Election of Vice Chair**

Resolved:

That Adrian Turner be elected Vice-Chair of the Board for the remainder of the Municipal Year 2019-2020

3 **Apologies for absence**

Apologies for absence were submitted on behalf of Michael Foxall.

4 **Declarations of interests**

No declarations of interests were made.

Board members were requested to complete their annual declarations of interest form and forward it to Holly Slater, Governance Officer.

5 **Minutes of the previous meeting - 30 April 2019**

Resolved:

That the minutes of the meeting held on 22 January 2019 be approved as a correct record and signed by the Chair

6 **Matters arising**

With reference to Minute 8 (Audit 2019-2020), Rachel Brothwood, Director of Pensions reported that the audit of the Fund's Statement of Accounts for 2018-2019 had commenced. The Fund's external auditors, Grant Thornton had carried out an interim audit of the accounts and no areas of concern had been raised as part of this work. Their final report on the audit of the accounts would be presented to the Pensions Committee in September 2019.

7 **Times of Meetings 2019-2020**

Resolved:

That the following dates and times of meetings of the Board for 2019/2020 be noted:

21 October 2019 – 2pm

21 January 2020 – 2pm

28 April 2020 – 2pm

8 **Governance Update Report**

Rachel Howe, Head of Governance and Corporate Services presented the report on of the work of the Fund in delivering good governance in line with the Pension Regulator's code of practice and in meeting the expectation of the Scheme Advisory Board.

Resolved:

1. That the Scheme Advisory Board's annual report for 2018 be noted
2. That the Risk Register and the movement and management of risks across the Fund be noted.
3. That items being monitored through the Fund's compliance monitoring programme be noted.

4. That it be noted that publication of findings from the Pensions Regulator's engagement with LGPS funds is due over the Summer.

9 **Internal Audit Annual Report 2018-2019**

Amanda MacDonald, Client Lead Auditor, presented a report on the outcome of the programme for internal audit reviews completed during 2018-2019. No significant audit issues had arisen throughout the year and where identified weaknesses / improvements have been identified during the course of audit work, management had agreed recommendations. The Client Lead Auditor thanked the Fund's Management Team for their support on the internal audit reviews throughout the year.

Resolved:

That the internal audit report for 2018-2019 be noted.

10 **Regulatory Update**

Rachel Howe, Head of Governance and Corporate Services presented the update report on forthcoming and potential regulatory changes across the LGPS. The Fund continued to see and manage a series of change, with a number of consultations (both directly and indirectly related to the LGPS) issued within the last 3-6 months.

In response to questions, the Board received a brief overview of the Fund's response to the consultation on the introduction of a £95,000 cap on exit payments to public sector workers. A copy of the response would be forwarded to the Board. The Fund's primary concern was that the proposal was impacting a wider group of members than the "higher earners" targeted by the policy. Most notably, it had the potential to impact pension members with long service records on modest salaries. If the proposal was maintained in its current form, a further consultation would be needed to amend the LGPS Pensions Regulations.

Resolved:

That the updates to the current regulatory environment within the LGPS be noted.

11 **Business Performance and Data Management**

Rachel Howe, Head of Governance and Corporate Services presented the report on the work of the Fund in delivering improved data quality in line with the Pension Regulator's Code of Practice; and on an end of year overview of Fund performance against its set objectives.

In response to questions, Amy Regler, the Head of Operations confirmed that following a Tier 3 ill health benefits review, a decision is taken by the employer as to whether a member continued to be eligible to receive benefits on grounds of ill health. Those retiring and receiving Tier 3 benefits are granted this level as they are expected to be able to return to gainful employment within three years. The Fund was taking steps to ensure employers are aware of their responsibilities to review cases. The Scheme Advisory Board had noted that the ill health Tiering structure was an area which could be reviewed and simplified within the Pension Scheme.

Resolved:

1. That the Data Management Strategy adopted by the Fund be noted.
2. That the progress of work on the Monthly Submissions project be noted.
3. That the work to progress delivery of Annual Benefit Statements be noted.

4. That the Fund's Key Performance Indicators as an annual review be noted.
5. That the work of the Fund on delivering its Digital Transformation Programme be noted.
6. That the progress of GMP Reconciliation be noted.
7. That the reviewed and updated Pension Administration Strategy be noted.

12 **Pensions Administration Report from 1 April 2018 to 31 March 2019**

Amy Regler, Head of Operations presented the report on the work undertaken by the pensions administration service during the period 1 April 2018 to the 31 March 2019 for both the West Midlands Pension Fund (the Main Fund) and the West Midlands Integrated Transport Authority Pension Fund.

In response to a question, the Director of Pensions confirmed that the Fund had seen an increase in the number of scheme members with deferred benefits requesting quotations for early retirement from age 55 following the change to LGPS regulations in 2018.

Resolved:

That the pensions administration activity for both the West Midlands Pension Fund (the Main Fund) and the West Midlands Integrated Transport Authority Fund (the WMITA Fund) be noted.

13 **Customer Engagement Update**

Simon Taylor, Head of Pensions presented the report on the Fund's customer engagement activity from 1 January to 31 March 2019, in line with its Customer Engagement Strategy.

Reporting on the production of annual benefit statements (ABS), the Head of Operations said that indications were that between 75 to 80% of active member records would have an ABS produced in the first run. The Director of Pensions added that this was a significant improvement on the prior year and the Fund was continuing to work to improve both the issue rate and the cleansing of active member records as outstanding leaver notifications continued to be received from employers.

Councillor Hazel Malcolm praised the customer engagement work. She asked whether texts or emails were being used to communicate with members and whether the Fund had plans to reach out to members who could not engage digitally. The Head of Pension reported that videos were used in the member engagement events. The development programme was ongoing to review the key pieces of information scheme members needed to consider. Rachel Brothwood, Director of Pensions added that the Fund was conscious of digital exclusion and was developing a suite of methods to aid communications with scheme members which would continue to include highly valued face to face support. Leaflets and the roadshow bus were proving effective means of initial engagement leading to increased take-up of 'My Pensions Portal'. The Fund also issued communications via post and any member who wished to receive a paper copy of communications could opt in.

Resolved:

1. That the engagement activity and informed service development be noted.
2. That the Communications Policy Statement included at Appendix C to the report be noted.

14 **Funding Management Update**

Simon Taylor, Head of Pensions presented the report on funding management, including proposed changes to the Funding Strategy Statement following the introduction of Exit Credit legislation, and the 2019 actuarial valuation.

Adrian Turner asked about the potential impact of the Court's judgement on McCloud vs Judges Pension Scheme concerning the pause on the HM Treasury cost cap process. Rachel Brothwood, Director of Pensions reported that it would impact on benefits payable by the Scheme but until further information on rectification for the LGPS and Scheme guidance was forthcoming, the Fund could only continue to calculate and pay benefits in line with current regulations. The Director of Pensions further commented that the Fund was in discussion with its actuary regarding any impact on this year's actuarial valuation.

Resolved:

1. That progress on the revised Funding Strategy Statement effective 1 April 2019 be noted.
2. That the report and the associated update on progress with the 2019 actuarial valuation of both the West Midlands Pension Fund (the Main Fund) and the West Midlands Integrated Transport Authority Fund (the WMITA Fund) be noted.

15 **Annual Report and Accounts 2018-2019**

Jill Davys, Assistant Director, Investments and Finance presented the report on the preparation, approval and audit of the Statement of Accounts and the Annual Report for the year ending 31 March 2019 and their publication on the Fund's website.

In response to a question on the decrease in the value of the ITA Pension Fund, the Assistant Director reported that it was a closed to new members. It was also a mature scheme where benefits payable exceeded contributions receivable. The reduction in the value of the Fund was not related to the quality of the investments made.

Resolved:

1. That it be noted that the draft accounts have been prepared and certified by the Section 151 Officers as required by regulations.
2. That it be noted that the draft accounts for West Midlands Pension Fund were approved by Pensions Committee on 19 June 2019 and are now subject to audit by the Fund's external auditors, Grant Thornton, with the final version, including their audit opinion to be reported to the Committee in September.
3. That it be noted that the audit of the accounts for the West Midlands Integrated Transport Authority Pension Fund (WMITAPF) is nearing completion and the auditors anticipate issuing an unqualified opinion.

16 **LGPS Central Investment Pool Update**

Jill Davys, Assistant Director, Investments and Finance presented the key points from an update report on LGPS Central investment pool product development, transition and governance arrangements.

Sharon Champion reported that the recent Local Pension Board training event, facilitated by the Local Government Association on behalf of the Scheme Advisory Board, had been insightful and that it had been good to meet other Board members from the Partner Funds in LGPS Central.

Resolved:

That the update on the LGPS Central investment pool product development, transition and governance arrangements be noted.

17

**Responsible Investment**

Rachel Brothwood, Director of Pensions presented the main points from the report on the policies in place and work of the Fund in relation to responsible investment and in managing the risk and opportunities available in relation to Climate Change.

Resolved:

That the Fund's Responsible Investment Framework, Voting Principles and updated Compliance Statement with the UK Stewardship Code for Institutional Investors be noted.

<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Pensions Board</b> 22 October 2019
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<b>Report title</b>	Legal and Compliance Update	
<b>Originating service</b>	Pension Services	
<b>Accountable employee(s)</b>	Rachel Howe	Head of Governance and Corporate Services
	Tel	01902552091
	Email	<a href="mailto:Rachel.Howe@wolverhampton.gov.uk">Rachel.Howe@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Rachel Brothwood	Director of Pensions
	Tel	01902551715
	Email	<a href="mailto:Rachel.Brothwood@wolverhampton.gov.uk">Rachel.Brothwood@wolverhampton.gov.uk</a>

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**Recommendations for noting:**

The Board is asked to note:

1. The quarterly risk register, including the movement of risks and the actions taken to mitigate any impact.
2. The quarterly compliance monitoring.
3. The outcomes from the initial work undertaken by Hymans Robertson for the Scheme Advisory Board on the Good Governance Review.
4. The outcomes from the Pensions Regulator's public service and administration survey 2018.

**1.0 Purpose**

1.1 To provide Board with an update on the work of the Fund to deliver a well governed scheme.

**2.0 Risk Register**

2.1 The Fund’s risk register has been compiled to represent all known and perceived risks across all service areas of the Fund. Each quarter, the Fund’s compliance team, in conjunction with Senior Managers and Risk Owners, review the key risks which are drawn from detailed risk registers that are separately maintained for each service area of the Fund. The risk register is an active document that is regularly monitored to ensure it reflects the most recent activity of the Fund. The reporting period for risks is the most current quarter (April to June). This monitoring is looked upon as both a reactive and proactive process to ensure emerging risks are identified quickly and action taken to address, as required.

2.2 The Fund’s full risk register this quarter contains 53 risks, a reduction of three from the previous reported quarter. Of those 53, 15 are rated Red and are noted as Key Risks, 36 Amber and two Green. In assessing risks, the Fund undertakes a 5x5 matrix assessment as follows:

Impact	5	5	10	15	20	25
	4	4	8	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5
		1	2	3	4	5
		Probability				

**2.3 Movement this Quarter:**

- There has been a significant increase in the Brexit uncertainty risk following recent changes in Central Government and the impending withdrawal date.
- A new risk has also been added following the recent judgement in the McCloud court case and the uncertainty of future changes to the scheme rules and benefit calculations which has previously been reported to Board.
- A new risk has been added drawing out the current demands and potential impact on Fund resource in light of anticipated scheme changes, together with the ongoing workload generated by the development of and transition to investment pooling.
- Seven risks have reduced in rating, including the risk highlighted last quarter concerning the potential change in Committee and Local Pension Board membership. Following the cycle of inductions for all members, this risk has reduced four points and is now considered a low Amber risk.

## 2.4 Action taken

- Since the quarter's review of the risk register, noting the changes in risk rating, the Fund has undertaken a number of steps to further mitigate potential impacts.
- In relation to Brexit, the Fund has reviewed its asset transition timetable, considering potential risks in moving assets so close to the Brexit deadline of 31 October. Several asset transitions have been postponed pending an assessment of the market post Brexit.
- The increased risk of McCloud is being considered both from an actuarial valuation and funding perspective and from an administration perspective, with work underway to assess the potential scale of work which could be associated with remedy.

2.5 The key risks of the Fund and their controls are noted in Appendix A.

## 3.0 Compliance Monitoring

### Finance and Investments Trades

- 3.1 The Fund continues to monitor late and failed trades. Late trades relate to instructions on stocks which were not executed at the time requested but executed at a later period with no detriment to the Fund. A failed trade is where the execution on stocks was not actioned.
- 3.2 For the period April to June the number of late trades was 1 for the full quarter, this is an improvement on the January to March quarter of 7. The KPI's from the custodian have been provided for the Fund against peer group comparisons. For April, West Midlands Pension Fund (WMPF) had no late trades against per group of 3.7%. May had no late trades against peer group of 2.0% and June had 1 late trade with a peer group of 2.3% (WMPF 1.3%). For this period, the Fund did not suffer any loss or detriment as a result of the late trade which occurred following a late instruction.
- 3.3 For the period April to June, the number of failed trades was 15, this is an improvement on the January to March quarter of 22. The KPI's from the custodian have been provided regarding the late trades against Peer group as follows, April had nine late trades (WMPF 9.00% / Peer 4.7%), May had 2 Failed trades (WMPF 1.7%/ Peer group 4.3%) and June had 4 Failed trades (WMPF 5.1% / 4.9% Peer group).
- 3.4 To support the Fund's work on monitoring the trade actions, the Fund's Senior Compliance Officer is meeting with the Custodian later this month to understand the process for actioning requests and the reasons why certain actions may fail or be applied late, this is in addition to the ongoing dialogue and current escalation process the Fund has with the custodian.
- 3.5 For all actions there was no recorded detriment to the Fund.

### Contributions

- 3.6 The Finance team continue to engage with employers to ensure contributions are received monthly in line with TPR guidelines. The procedures for monthly reconciliation of contributions continue to develop and embed within the employer monthly return process.
- 3.7 During the sample month of June, the number of employers with late payments was 33, amounting to £74,205. The Finance and Employer Services teams continue to work with employers in line with the Employer Engagement Roadmap.

### **Governance and Operations**

#### Freedom of Information Requests (FOI)

- 3.8 This quarter the Fund has received eight FOI requests with the majority interested in the Fund's investment holdings and performance. One request related to contract values. All requests were actioned in line with the statutory timescales.

#### Data Protection Requests

- 3.9 This quarter the Fund has recorded 20 data protection breaches, an increase of 5 from last quarter. The Fund attributes this increase to a heightened awareness amongst employees following the annual refresher training on General Data Protection Regulation (GDPR) delivered by the Fund's Governance Officer throughout May and June and is not, at this time, concerned with the increase in reporting, the increase is reflective of trends across the Council.

#### Regulatory Compliance

- 3.10 The Fund continues to develop its assurance programme linked to the various statutory requirements placed on LGPS Funds by our governing bodies. The Assurance Framework links the Fund's risk register, Key Performance Indicators and corporate priorities providing a suite of data from which the Fund can assess its compliance and anticipate challenges to performance and delivery. In line with this, the Fund's breach reporting process will be fed from the outcomes of the assurance testing, the first of these updated reports will be presented to Board in January 2020.

#### National Regulation and Governance

##### McCloud

- 3.11 On 27 June 2019 the Supreme Court denied the Government's request for an appeal in the McCloud and Sargeant cases previously reported to Board. This now means that the court ruling, which found the proposed changes to public sector schemes were unlawful, remains upheld with the matter being referred to the employment tribunal for a detailed decision and for remedy. The next stage in this process could mean a further delay of

outcome for 12-months while the tribunal assesses the required rectification and amendment to the scheme rules as appropriate. Further information is contained within the 2019 Actuarial Valuation Update report.

### **Statutory Compliance – Annual Benefit Statements**

- 3.12 Board will recall that in November 2018, the Fund self-reported to the Pensions Regulator (TPR) our inability to produce annual benefit statements for active members of the West Midlands Pension Fund. This inability was linked to gaps in data held by the Fund as well as the performance of employers in delivering timely monthly files together with the quality of those files. In 2018, the Fund was only able to produce active benefit statements for 52% of its active membership by the 31 August deadline, increasing to 79% at the end of the rolling programme of production in March 2019.
- 3.13 Following a programme of focussed data management and engagement with employers this year, 85% of active benefit statements (ABS) were produced by 31 August 2019. Following analysis of those members for whom the Fund is unable to produce a statement, the Fund is engaging with employers to complete data records required and will be undertaking a further ABS production run later in the year.
- 3.14 For our deferred members, the Fund has met last year's production figure of 99.7% for deferred benefit statements. All benefit statements have been published on members' individual pensions portal accounts. For those members who have requested paper copy statements, these were sent out by the Fund by 31 August 2019.
- 3.15 In line with the expectations of the Pensions Regulator, the Fund is reporting its 2019 delivery of annual benefit statements. Timely employer monthly submissions and responses to data improvement plans to date have aided improvement over the last year, with work ongoing and still to do to continue to identify and address the cases where the Fund is still unable to issue a statement. Delays in notification and information required to process leaver benefits are the main reason for non-issue, with the Fund pursuing salary and contribution details to complete and update member records.
- 3.16 Gaps in data submissions and persistent queries are being monitored and managed in accordance with the Fund's Pension Administration Strategy and associated Employer Roadmap.
- 3.17 In addition to the production of ABS, the Fund has also issued 100% (207) of Pension Savings Statements by the 5 October statutory deadline, to members who have exceeded the £40,000 limit. Individual queries are being managed by the Fund's Technical team where queries are being raised.

### **4.0 Good Governance Review**

- 4.1 As reported to Board in July, the Scheme Advisory Board (SAB) appointed Hymans Robertson to look at a range of options which may support governance arrangements for

individual Funds within the LGPS. In July, Hymans released a report of their findings which they presented to SAB for consideration.

#### 4.2 Key proposals from Hymans' work and engagement with LGPS Stakeholders recommended

- i) An outcomes-based approach to LGPS governance with minimum standards rather than a prescribed governance model. Their findings noted that the governance structure is not the only benefit (and detriment) to good governance with similar governance models delivering different results within the LGPS.
- ii) Critical features of the outcomes-based model are recommended to include;
  - a) robust conflict management, including clarity on roles and responsibilities for decision-making
  - b) assurance on sufficiency of administration and other resources (quantity and competency) and appropriate budget.
  - c) explanation of policy on employer and scheme member engagement including touch-points and representation within the governance framework
  - d) regular independent review of governance – it is recommended that an enhanced governance compliance statement is used to explain how the required outcomes will be delivered.
- iii) Enhanced training requirements for officers and decision-making bodies
- iv) Updated, relevant guidance together with better sign posting, acknowledging the different bodies' responsible for issuing guidance and ensuring it is reflective of the roles of regulators, oversight and implementation bodies

4.3 Following receipt of the report, the SAB has invited the Hymans Robertson project team to assist in taking forward the next stage of the good governance project. Two working groups have been established, one to focus on defining good governance outcomes and the guidance needed to clearly set them out and the other to focus on options for the independent assessment of outcomes and mechanisms to improve the delivery of those outcomes. Both groups comprise a wide range of scheme stakeholders to ensure a full range of views and options are considered. The aim is for an options report to be ready for the Board's consideration when it meets in November.

4.4 In addition to this work, the Scheme Advisory Board are due to re-issue their annual survey to Local Pensions Boards. The Fund will monitor the delivery of the survey and will issue to Board members once received (noting the survey may also be issued to Board members direct).

#### **5.0 The Pension Regulator's Survey**

5.1 The Pension Regulator (TPR) has responsibility for oversight of LGPS Funds' management and administration processes together with enforcement powers for non-compliance with statutory duty.

- 5.2 Since assuming responsibility for public sector schemes, TPR has issued its public service governance and administration survey on an annual basis to inform its understanding of the practices in place across the public sector schemes, including Funds within the LGPS. The survey is anonymous by default and does not inform any direct enforcement or action taken by the Regulator, however the outcomes are used to inform and shape regulatory approach and priorities.
- 5.3 The outcomes from this year's survey has identified 4 key risks for TPR within the LGPS
- i) Governance – in the knowledge and understanding requirements of decision-making bodies as well as the frequency of meetings and the topics presented.
  - ii) Record keeping – to include good data management and expectations for Funds moving to monthly electronic collection
  - iii) Member communications – including the production of annual benefit statements and the accuracy of information contained within
  - iv) Cyber security- and the protection of members from potential fraud and scam providers as well as the overriding duty required under Data Protection Act 2018.
- 5.4 The survey notes and outlines the roles of the Local Pension Boards in delivering good governance and administration with oversight of the above identified risks requiring regular reporting to each meeting of the Board. It is expected that TPR will be issuing their latest survey towards the end of the year.
- 5.5 Board will also recall the recent engagement activity with the LGPS cohort undertaken by the Regulator as part of its educating and learning programme to develop understanding of the governance and administration practices within the LGPS. Following the completion of that programme, the TPR has issued its outcome report which is available on their website.
- 5.6 In reviewing the report the Fund has identified a number of key aspects
- That not all funds are the same with a variety of equally valid approaches to managing funds and mitigating risks
  - That the risk identified by the Fund in relation to resource in light of increasing workloads and scheme changes is not unique to WMPF
  - That the challenge of managing payroll providers and the reconciliation of contributions is a common one
  - That larger funds tend to have better governance structures

## **6.0 Fund Merger**

- 6.1 Section 13 of the Public Service Pensions Act 2013 introduced an independent review of local LGPS actuarial valuations and employer contribution rates. The Government Actuary Department (GAD) was appointed to undertake the review and make recommendation to the responsible authority, the Ministry of Housing Communities and Local Government (MHCLG). The Section 13 report in relation to the 2016 actuarial valuation was finalised and published on 29 September 2018 and encompassed all LGPS Funds.

- 6.2 Having considered the draft recommendations within the report, Pensions Committee and West Midlands Combined Authority Board (as the Fund's two Administering Authorities) approved at their meetings on in September and November 2018 respectively, further consideration of merger of the two West Midlands Pension Funds (WMPF Main Fund and West Midlands Integrated Transport Authority Pension Fund).
- 6.3 Following further due diligence, Committee reviewed at their meeting in March 2019, the potential outcomes from the proposed structuring of the Funds at the point of merger and were satisfied that the conditions for merger agreed by both Administering Authorities would be met. The task of completing review and finalisation of the application to MHCLG was delegated to the Director of Pensions in consultation with the Chair. The final application was submitted to MHCLG at the beginning of May.
- 6.4 In response to the application for merger, MHCLG issued a consultation document on 23 July which closed on 7 September. The consultation included draft Statutory Instrument and Secretary of State Direction, to amend regulations and implement merger effective from 31 March 2019. The Fund is awaiting response from MHCLG together with action to affect the draft Statutory Instruments, following consideration of the consultation responses.

## **7.0 Financial implications**

- 7.1 Poor management of the Fund's assets can result in detrimental investment returns. Effective monitoring of the management arrangements is required to ensure the Fund is well placed to ensure the delivery of its investment strategy.
- 7.2 Failure by the Fund to meet statutory requirements of effective governance and administration could result in fines imposed by the Pensions Regulator.

## **8.0 Legal implications**

- 8.1 Changes to legislation and statutory guidance are detailed in the report. Failure by the Fund to comply with legislation and/or statutory guidance can result in enforcement action and fine from both the Pension Regulator and the Courts via judicial review.

## **9.0 Equalities implications**

- 9.1 There are currently no equalities implications contained within this report, an equality impact assessment will be undertaken where new policies are adopted following change in regulation/statutory guidance.

## **10.0 Environmental implications**

- 10.1 There are no environmental implications

## **11.0 Human resources implications**

11.1 There are no human resources implications

## **12.0 Corporate landlord implications**

12.1 There are no Corporate landlord implications

## **13.0 Schedule of background papers**

13.1 TPR governance and administration survey

<https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/public-service-research-summary-2019.ashx>

13.2 Outcomes from SAB Good governance Review

<https://www.lgpsboard.org/images/PDF/GGreport.pdf>

13.3 Scheme Advisory Board Updates

[www.LGPSBoard.org](http://www.LGPSBoard.org)

13.4 TPR report on the outcomes of its engagement activity

<https://www.thepensionsregulator.gov.uk/en/document-library/research-and-analysis/governance-and-administration-risks-in-public-service-pension-schemes-an-engagement-report#0beb0d2047954672b2a73de451ef7eab>

13.5 Consultation on the Fund Merger

<https://www.gov.uk/government/consultations/proposed-merger-of-west-midlands-pension-funds>

## **14.0 Schedule of Appendices**

14.1 Appendix A: West Midlands Pension Fund – Key Risks

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Appendix A- West Midlands Pension Fund - KEY RISKS

Jun-19

Risk ID		Risk Description	Risk Rating	Movement from Last Qtr / Positions	Last Reviewed	
<b>POOLING</b>						
P3	Pooling	<b>Transition timeline slips causing additional cost/resource on the fund</b>	16		No Change	
		Controls				<ul style="list-style-type: none"> <li>&gt; Transition plan is monitored and regularly reviewed by the Investment Advisory Panel with quarterly updates to pension committee</li> <li>&gt; Robust Client Services Agreement and Contract Management of LGPSC</li> </ul>
P4	Pooling	<b>Investments not reflecting Funds investment strategy putting investment returns at risk</b>	16		No Change	
		Controls				<ul style="list-style-type: none"> <li>&gt; Assurance of Investment managers mandate monitoring and adherence</li> <li>&gt; Analysis of performance against Fund's objectives; Quarterly reporting; regular dialogue with LGPSC</li> <li>&gt; Investment products offered by the Company are reviewed by the Investment Advisory Panel with recommendations and reviews</li> <li>&gt; Investment working group of PAF effective in feeding requirements back to LGPSC</li> </ul>
P6	Pooling	<b>Resourcing - Staff transition to LGPC leaving insufficient resources to manage legacy assets</b>	15		No Change	
		Controls				<ul style="list-style-type: none"> <li>&gt; Client Service agreement with LGPSC to provide services to cover management of legacy assets</li> <li>&gt; Resourcing within Fund to oversee CSA</li> <li>&gt; The Fund regularly reviews its staffing requirements in line with investment movement, recruiting to new roles where required.</li> </ul>
<b>INVESTMENTS</b>						
I2	Investments	<b>Fund does not achieve investment returns in line with longer term strategic objectives to meet funding objectives</b>	16		No Change	
		Controls				<ul style="list-style-type: none"> <li>&gt; Diversified portfolio and return target set</li> <li>&gt; Regular reviews of asset allocation/investment strategy</li> <li>&gt; Monitoring of investment managers quarterly.</li> <li>&gt; Regular monitoring of market conditions.</li> </ul>
I7	Investments	<b>Brexit uncertainty</b>	20		5	
		Controls				<ul style="list-style-type: none"> <li>&gt; Currency hedge is currently applied for 50% of foreign currency exposure providing some protection against reductions in value</li> <li>&gt; Frequent monitoring and review of market performance together with adjustments (where necessary) in the Strategic Asset Allocation are undertaken with support and advice from the Fund's Investment Advisory Panel.</li> </ul>
I8	Investments	<b>Climate Change</b>	16		No Change	
		Controls				<ul style="list-style-type: none"> <li>&gt; Engagement through LAPFF and other partners including our investment pool LGPS Central.</li> <li>&gt; Sustainable Equity Strategy which includes engagement with companies to be aware of carbon risks and introduce mitigation</li> <li>&gt; Integrated within investment strategy and product development</li> <li>&gt; The fund has adopted a Climate change Strategy and Framework incorporating these considerations as a core element of the Investment Strategy.</li> </ul>
<b>FINANCE</b>						
F6	Finance	<b>Non payment of receipt of monies due to the fund</b>	15		No Change	
		Controls				<ul style="list-style-type: none"> <li>&gt; Monthly monitoring of ongoing (FSR) and deficit (PSD) contribution payments by Finance. Finance work in conjunction with the Employer and Data Teams through monthly submissions to analyse, review and feedback</li> </ul>
<b>GOVERNANCE</b>						
G9	Governance	<b>Change in government policy/LGPS reforms</b>	16		No Change	
		Controls				<ul style="list-style-type: none"> <li>&gt; The Fund keeps abreast of developments, participating in consultation and calls for evidence, and collaborating with other funds</li> <li>&gt; Officers of the Fund sit on numerous national working groups (including SAB and technical networks) feeding into and receiving updates on governance policy and LGPS reforms.</li> <li>&gt; Through its Governance and Internal Controls Framework the fund undertakes horizon scanning activities anticipating change in direction resulting from national work, including statutory surveys and the tPR Corporate plan.</li> </ul>
G10	Governance	<b>Fund Resource and Key Man Risk</b>	16		4	
		Controls				<ul style="list-style-type: none"> <li>&gt; The Fund has a People Development Framework which seeks to address gaps in resource through an appropriate recruitment strategy, together with upskilling employees through personal development and qualifications relevant to their role.</li> <li>&gt; Succession planning is being undertaken with key service areas across the Fund with the succession of knowledge being the key focus.</li> <li>&gt; Where needed, temporary resource is secured to address peaks in workload.</li> </ul>
G11	Governance	<b>McCloud and Sargeant Court Cases</b>	16		4	
		Controls				<ul style="list-style-type: none"> <li>&gt; The Fund is engaging with its partners, including the Actuary, to anticipate potential impact resulting from the outcome of this case.</li> <li>&gt; The Fund keeps abreast of the progress of the case through its national working groups and engagement with statutory bodies (LGA, SAB).</li> </ul>
<b>OPERATIONS</b>						
OP4	Operations	<b>Failure to adhere to statutory regulatory requirements</b>	20		No Change	
		Controls				<ul style="list-style-type: none"> <li>&gt; Technical team in place to translate regulations and working group to review and discuss impacts of any changes</li> <li>&gt; Robust testing process for any system changes</li> <li>&gt; Work with other Pension Funds to develop understanding i.e. Civica Technical Group and SPOG</li> <li>&gt; Project management for the delivery of key changes and Statutory requirements and regulations i.e. benefit statements</li> <li>&gt; Monitoring of KPI's and performance against disclosure</li> </ul>
<b>PENSION SERVICES</b>						
PA1	Pension Services	<b>Pension Administration Strategy (PAS) not complied with by employers</b>	16		No Change	
		Controls				<ul style="list-style-type: none"> <li>&gt; Communication with employers at the Annual General Meeting (AGM) to ensure they understand the PAS and their requirements under it</li> <li>&gt; Employers adherence to the PAS is monitored</li> <li>&gt; PAS regularly reviewed by committee</li> <li>&gt; Reports produced for all employers highlighting issues with data files. Regularly meetings with districts to review progress and all other employers have been assigned a "data guru" who will be responsible and the main point of contact for any issues or queries</li> </ul>

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<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Pensions Board</b> 22 October 2019
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<b>Report title</b>	Business Performance Update	
<b>Originating service</b>	Pension Services	
<b>Accountable employee(s)</b>	Rachel Howe	Head of Governance and Corporate Services
	Tel	01902 552091
	Email	<a href="mailto:Rachel.Howe@wolverhampton.gov.uk">Rachel.Howe@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Rachel Brothwood	Director of Pensions
	Tel	01902 551715
	Email	<a href="mailto:Rachel.Brothwood@wolverhampton.gov.uk">Rachel.Brothwood@wolverhampton.gov.uk</a>

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**Recommendations for noting:**

The Board is asked to note:

1. The Fund's progress on delivery against its Corporate Priorities outlined in the Fund's Service Plan 2019 – 2024.
2. The Fund's key performance indicators for the first quarter of the year.
3. The successful recruitment to Fund trainee and graduate posts.

## **1.0 Purpose**

- 1.1 To provide an update to Pensions Board on the delivery of the Fund's 2019 – 2024 Service Plan through monitoring the performance of its corporate priorities and service delivery.

## **2.0 Service Plan and Corporate Priorities**

- 2.1 The Fund developed and adopted its Service Plan in March 2019 with specific focus on partnership, working with our employers and stakeholders and investing in our resources, systems and people to ensure the Fund is responsive to change from legislation and regulators over the coming year.
- 2.2 In monitoring the delivery of our Service Plan, the Fund identified eight Corporate Priorities to deliver its PRIDE objectives. Progress against each of these are noted below.

### **Customer Engagement and Communications**

- 2.3 Seeking feedback on the delivery of our services is key to the Fund's ability to continually improve our customer's experiences. This year the Fund has launched bespoke customer feedback surveys related to their specific experience (retirement, joiner, etc.).
- 2.4 The surveys seek to understand how information is received by our members, how it can be improved to enable members' understanding, together with their experience of engaging with the Fund with the aim of not only improving customer experience but to also highlight areas for potential service development and efficiency in process, making our members' journey as smooth and effective as possible.
- 2.5 This quarter the Fund has focussed on developing different delivery methods to achieve the widest reach of our customer base with the launch of online member videos and bespoke member newsletters for active, deferred and pensioner members.

### **Our People**

- 2.6 This year the Fund has enhanced its People Development Framework through the development of its Employee Training Policy and its Fund Trainee and Graduate programme, building knowledge and skills for the future.
- 2.7 The training policy aims to encourage people to manage their own learning and embed self-development based on identified business needs with the responsibility for its success being driven by both Managers and Employees. Continuous Professional Development (CPD) expectations are set through training hours and supported through the appraisal process. This aims to ensure that employees maintain and enhance the knowledge and skills needed to deliver a professional service to our customers and employers.

- 2.8 In conjunction with the training policy review, the Fund has redeveloped its appraisal system for employees within the Fund, focusing on developing behaviours and skills to support individual progression and ongoing contribution to the delivery of the Fund's goals. This new approach has received positive feedback from our employees in role recognition as well as opportunities for self-development.
- 2.9 This quarter has also been one of the busiest yet in recruitment for the Fund, with an additional number of permanent hires joining the Fund's employee base across all service areas, ensuring the Fund is well resourced to respond to the growing increase in members and employers.

### **Governance and Risk**

- 2.10 Following review of the Fund's Risk Register and the introduction of the risk maps in 2018, the Fund's legal and compliance team have begun to build on this work through review of the Fund's compliance monitoring programme, which tests the strength of our controls, providing additional assurance of the mitigations in place to manage potential risk as well as the Fund's ability to prepare for change.
- 2.11 The new Governance and Assurance framework, while in early stages of creation, will seek to link the expectations and areas of focus from the Regulator and governing bodies (SAB), with those areas of focus of the Fund identifying how the Fund controls and mitigates potential risks and identifies areas for service development while ensuring ongoing compliance with statutory requirements.

### **Data Management and Reporting**

- 2.12 The production of annual benefit statements to members has seen an improved delivery by the 31 August deadline with work continuing on data management to maximise the number produced, outlined in the Data Management Report. The production of annual benefit statements is linked to the quality and completeness of data held by the Fund about its members. Work continues at a national level to develop standardised scheme data requirements for LGPS Funds. The Fund continues to engage on the development of this scheme specific data and standardised reporting.
- 2.13 The Fund continues to develop its monitoring and reporting capabilities for measuring the quality of the Fund's data for a number of purposes, including valuation, pensions increase and for statutorily reporting on common and scheme specific data required by the Pensions Regulator. The development of the Employer Hub capabilities, which will support transparency and reporting (including data quality), will further support progress of this priority.

### **Regulatory and System Change**

- 2.14 The Fund continues to drive forward its Digital Transformation Programme, which focusses on the development of the Fund's key systems, working in partnership with the

software supplier to develop new solutions and capability. Alongside the development of the system, the Fund is reviewing the governance of the day-to-day management of the business as usual system upgrades, to ensure planning, documentation, controls and testing tools are up to date and effective.

### **Funding and Investment Strategy**

- 2.15 Work on the 2019 actuarial valuation and investment strategy review is well underway. Membership, cashflow and asset data has been provided to the actuary and other advisers to support review and development of the Fund's integrated risk management framework. Initial employer consultation events were held in June, with a further series due in November, following issue of individual employer results.

### **Strategic Asset Allocation and Investment Performance**

- 2.16 Strategic Asset Allocation and performance continues to be reviewed on a quarterly basis, with specific market and economic risks and opportunities considered with the Investment Advisory Panel. Work is ongoing to develop and transition assets to pooled vehicles with LGPS Central, according to the strategic requirements of the Fund.

### **Financial Management and Cost Transparency**

- 2.17 The Fund continues to monitor and review employer contributions to ensure alignment with amounts due to the Fund and linking to the wider employer covenant risk management framework.
- 2.18 Following the launch of the LGPS Scheme Advisory Board Investment Cost Transparency Code, for which the Fund was a leading partner in developing, the Fund has once again taken part in a further transparency initiative, supported by the UK Investment Association which is delving further into the reporting of investment management costs.
- 2.19 Following pilot of the templates launched by the industry-wide Cost Transparency Initiative, the Fund has again led the way in reporting investment cost against this higher standard within its 2019 annual accounts.

### **3.0 Key Performance Indicators**

- 3.1 This quarter the Fund has seen above target performance for the majority of its key performance indicators across the Operations and Customer Service teams.
- 3.2 The target date for completion of IDRPs cases, as set out in the TPR Code of Practice for Local Government is two months unless the issue becomes complex or requires additional information to enable a decision to be made. While the Fund has been unable to achieve the two-month target for completion of IDRPs cases, the individuals concerned have been kept informed of the progress of their case and in line with the Regulator's Code of Practice have been informed of the reasons for delay, noting the anticipated

timescale for completion. The cases reported this quarter require additional information and support from third parties to complete the Fund's investigation. The Fund is keen to ensure all such matters are resolved in the most efficient way for members with the main reason for delay being connected to the need for additional information to assist the Fund's decision.

3.3 A copy of this quarter's KPI's are attached at Appendix A.

#### **4.0 People Development**

4.1 Following the success of the Fund's Trainee and Graduate Programme in 2018, this was re-launched for 2019 with another round of applications and successful intakes.

##### **Graduate Management Programme**

4.2 This year a total of 71 applications were received from various universities across the Midlands and wider regions, with applicants recognising the unique opportunity to work in a multi discipline organisation. Of the applications received, 36 were invited to attend a graduate assessment day with 18 being shortlisted for interview.

4.3 From the interviews conducted, the Fund successfully appointed four Graduates across four service areas of the Fund, including Investments, with a focus on Responsible Investment and Actuarial, supporting the 2019 actuarial valuation. Graduates from both these areas will undertake a formal qualification as part of their training to assist them in developing their longer-term career goals. A fourth graduate has been appointed as a Legal Trainee who will complete their training with the Fund to become a fully qualified solicitor.

##### **Fund Trainee Programme**

4.4 Our trainee programme provides a one-year placement for individuals undertaking an undergraduate degree. The Fund received 46 applications from various universities across the West Midlands and the wider UK, with some candidates already residing in Wolverhampton either due to their undergraduate degree at a local university or having moved back home for the duration of the placement with the Fund. Candidates who have been appointed from universities outside the West Midlands have shown their commitment to developing their career with the Fund, relocating to Wolverhampton for the duration of their training contract.

4.5 From the 46 applications, five trainees have been appointed in various service areas, including Actuarial, Investments, Finance, Governance and Corporate Services, as well as Systems support.

4.6 The Fund is very proud of the success of its graduate and trainee programmes and more so the reputation it has built for the Fund in being a progressive and opportunistic learning environment, able to offer good development opportunities for individuals at the start of their careers.

- 4.7 As well as a collaborative group project, individuals have been involved in developing the Fund's profile through independent assessment of the Fund's performance against external accreditations. They have also assisted the Member Services team with roadshow events for members, as well as adding a valuable resource to our Operations team during peak work periods.

## **5.0 Digital Transformation Programme**

- 5.1 Work continues to develop the Digital Transformation Programme at the Fund, with a number of areas progressing over the last quarter. The aim of the programme is to support the Fund to transform its business areas through the use of information and technology to drive business efficiencies and cost savings whilst improving the service we provide to our members. The associated development work is included in the Fund's budget for 2019/20. Further detail is provided in the Pension Administration report.

## **6.0 Benchmarking and Accreditation**

### **Customer Service Excellence (CSE)**

- 6.1 The Fund once again submitted for its annual CSE accreditation with overall feedback being very positive confirming the Fund's ability to retain this charter mark for a further year.
- 6.2 On conducting their assessment, several improvements were noted compared to last year, including the 102% improvement on uptake of the Fund's pensions portal together with the ongoing work to improve and update our external website and overall customer communications with redesigned information booklets and handouts.
- 6.3 The move to monthly submissions also featured as an area of improvement noting the ongoing employer engagement to deliver improved information to members and the calculation of their pension benefits.

### **Pension Administration Standards Accreditation (PASA)**

- 6.4 The Pensions Regulator and the Department for Work and Pensions (DWP) have both identified that good administration can be demonstrated by independent accreditation. The PASA recognises organisations in our industry who have evidenced compliance with the PASA Standards, and the Fund has commenced its journey to achieving this charter mark.

### **CEM Benchmarking**

- 6.5 Committee will be aware that the Fund participates in CEM Benchmarking, an independent report that compares Fund investment returns, value added, risk and cost across the LGPS industry. This year CEM launched their proposal for a similar benchmarking activity across LGPS administration, with the Fund being invited to participate in the steering group for developing the survey and questions on which the administrative benchmarking would be set. Work on this continues to develop across the LGPS Funds.

## **7.0 Financial implications**

- 7.1 The appointment of new hires and the Fund's Digital Transformation Programme was provided for within the Fund's budget approved in March 2019. There are no additional financial implications.

## **8.0 Legal implications**

- 8.1 There are no legal implications.

## **9.0 Equalities implications**

- 9.1 The Fund's recruitment programme has been developed in compliance with the Council's HR policies. There are no equalities implications.

## **10.0 Environmental implications**

- 10.1 There are no environmental implications.

## **11.0 Human resources implications**

- 11.1 The Fund's recruitment programme has been developed in compliance with the Council's HR policies. There are no human resources implications.

## **12.0 Corporate landlord implications**

- 12.1 There are no Corporate landlord implications.

## **13.0 Schedule of background papers**

- 13.1 Business Performance and Data Management Report to Committee (including approval of the Fund's Service Plan 2019 – 2024)  
<https://wolverhamptonintranet.moderngov.co.uk/documents/s104003/Business%20Performance%20and%20Data%20Management.pdf>

## **14.0 Schedule of Appendices**

- 14.1 Appendix A: Key Performance Indicators, Quarter 1 April – 30 June 2019.

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**Key Performance Indicators**  
**June 2019**

Corporate Priority	Frequency	Description	Target	Lead Officer	End of Quarter Performance
Operational Processing	<b>REFUNDS</b>				
	M	Notify member of Refund within 10 days of receiving required information	90%	Head of Operations	95.30%
		Refund payments processed within 5 days of receiving required information	90%		99.90%
	<b>RETIREMENTS</b>				
	M	Notification of Estimated Benefits within 15 days of retirement date	90%	Head of Operations	83.30%
		Notification of the actual benefits within 5 days of receiving member option form	90%		99.60%
		Payment of lump sum and creation of payroll record within 5 days of receiving election form	90%		98.80%
	<b>DEFERRED RETIREMENTS</b>				
	M	Issue quote letter within 30 days of the members eligible payment date or receipt of request from member	90%	Head of Operations	94.40%
		Notification of the actual benefits within 5 days of receiving member option form	90%		97.40%
		Payment of lump sum and creation of payroll record within 5 days of receiving election form	90%		96.50%
	<b>TRANSFERS IN</b>				
	M	Transfer in quotations processed within 10 days of receiving all the required information	90%	Head of Operations	95.80%
		Transfer notification of transferred in membership to be notified to the scheme member within 10 days of receiving payment	90%		91.80%
	<b>TRANSFERS OUT</b>				
	M	Transfer out quotations processed within 20 days of receiving required information	90%	Head of Operations	99.12%
		Transfer out payments processed within 20 days of receiving required information	90%		98.70%
	<b>DEATHS</b>				
	M	Acknowledgement of a death within 5 days of receiving the notification.	90%	Head of Operations	88%
		Notification of benefits payable to dependents will be issued within 5 days of receiving the required information	90%		98%
Payment of death lump sum will be made within 10 days of receipt of all the required information.		90%	100%		
<b>JOINERS</b>					
M	Membership record to be created within one month of receiving information from employer	95%	Head of Governance	100%	
<b>EMPLOYER AND MEMBER SERVICE - CALLS</b>					
M	Calls received to the customer helpline to be answered.	85%	Head of Pensions	79.60%	
M	Calls received to the employer helpline to be answered.	85%	Head of Pensions	98.20%	
Customer Engagement and Communication	<b>CUSTOMER SATISFACTION/SURVEY</b>				
	M	Customer satisfaction	90%	Head of Pensions	100%
	Q	Web Portal Registrations	Target 90000	Head of Pensions	82780
	<b>AVAILABILITY OF ONLINE SERVICES FOR MEMBERS</b>				
	M	Pensions Portal, Employer Portal and the external website to be available for 95% of total working hours.	95%	Head of Operations	96.37%
	<b>IDRP MONITORING</b>				
	A	All IDRP cases completed within 2 months	1	Head of Operations	25%
	<b>COMPLAINTS MONITORING - MEMBERS</b>				
	M	All complaints to be responded to within 15 working days of receipt	15 days	Head of Pensions	91.30%
	M	No of complaints to be less than 1% of total membership	<1%	Head of Pensions	<1%
<b>COMPLAINTS MONITORING - EMPLOYERS</b>					
M	All complaints to be responded to within 15 working days of receipt	15 days	Head of Pensions	61.30%	
M	No of complaints to be less than 1% of total employer membership.	<1%	Head of Pensions	<1%	
Our People	<b>WORKFORCE DEVELOPMENT</b>				
	Q	Vacancies to be filled within 3 months from advert to offer letter	3 months	Head of Governance	100%
	<b>EXTERNAL ACCREDITATION</b>				
	6 M	The Fund to be shortlisted for 75% of the awards in which it is entered	75%	Head of Governance	100%
6 M	The Fund to achieve external accreditation in all assessments undertaken.	100%	Head of Governance	100%	
Governance and Risk	<b>RISK MANAGEMENT</b>				
	Q	The risk register to be reviewed and updated 25 business days from quarter end		Head of Governance	100%
	<b>SHAPING THE LGPS</b>				
	Q	The Fund to respond to scheme wide consultations from MHCLG		Head of Governance	100%
	<b>EFFECTIVE DECISION MAKING</b>				
	6M	Training hours of Committee and Pension Board		Head of Governance	
	6M	Attendance rate of committee and pension board		Head of Governance	
<b>INFORMATION GOVERNANCE</b>					
Q	Statutory response timeliness	100%	Head of Governance	100.00%	
Strategic Asset Allocation and Performance	<b>INVESTMENT RETURNS/OVERALL FUND PERFORMANCE</b>				
	M	Main Fund - Returns to be within 0.5% of the benchmark (3 Yr. Rolling)	+/- 0.5%	Assistant Director Investments and Finance	-0.9%
	M	ITA Fund - Returns to match the benchmark (3 Yr. Rolling)	+ 0	Assistant Director Investments and Finance	-0.1%
Data Management	<b>DATA QUALITY</b>				
	M	Common data Main Fund	99%>	Head of Governance	96%
		Common data ITA	99%>		98%
		Scheme specific data Main Fund	95%>		LGPS Scheme specific requirements under national development
		Scheme specific data ITA	95%>		
<b>DATA IMPROVEMENT</b>					
A	ABS produced for 100% of active member records	100%	Head of Operations	85.15%	
	DBS produced for 100% of deferred member records	100%		99.70%	
Financial management and cost transparency	<b>CONTRIBUTIONS RECEIVED</b>				
	M	Main Fund - Contributions received from employers and validated by accountancy statement	100%	Head of Finance	99.32%
		ITA Fund - Contributions received from employers and validated by accountancy statement	100%		100%
	<b>QUARTERLY ACCOUNTS</b>				
	Q	Days taken to prepare quarterly accounts	30 days	Head of Finance	26 days
<b>ACCOUNTANCY</b>					
A	Accountancy information to employers within 25 business days of year end	25 days	Head of Finance		

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<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Pensions Board</b> 22 October 2019
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<b>Report Title</b>	Pensions Administration Report 1 April to 30 June 2019	
<b>Originating service</b>	Pension Services	
<b>Accountable employee(s)</b>	Amy Regler Tel Email	Head of Operations 01902 555976 <a href="mailto:Amy.Regler@wolverhampton.gov.uk">Amy.Regler@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Rachel Brothwood Tel Email	Director of Pensions 01902 551715 <a href="mailto:Rachel.Brothwood@wolverhampton.gov.uk">Rachel.Brothwood@wolverhampton.gov.uk</a>

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**Recommendations for noting:**

The Board is asked to note:

1. The pensions administration activity for both the West Midlands Pension Fund (the Main Fund) and the West Midlands Integrated Transport Authority Fund (the WMITA Fund), in particular the improved performance against target service levels and additional work being undertaken to update member records following responses received through the employer "health check".
2. The progress being made with the Fund's Digital Transformation Programme to support the Fund to transform its business areas through the use of information and technology to drive business efficiencies.

## 1.0 Purpose

1.1 To inform the Board of the work undertaken by the pensions administration service areas during the period 1 April to the 30 June 2019 for both the Main Fund and the WMITA Fund.

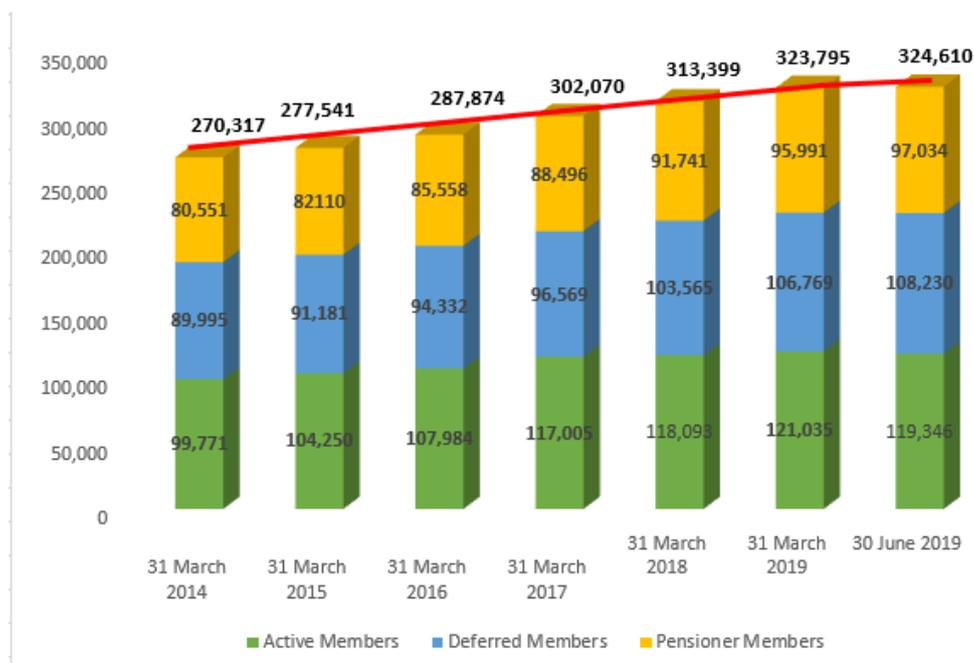
## 2.0 Background

2.1 The Fund provides a pension administration service to its stakeholders, covering employer, customer and member services, data processing, benefit operations, payroll and systems/technical support. This report is designed to focus on the Pensions Administration service area and provide a summary of the work volumes and the performance of the Fund against key performance indicators.

## 3.0 Scheme Activity

### Membership movement – Main Fund

3.1 The total number of scheme member records in the Fund at 30 June 2019 stands at 324,610, with an overall increase since March 2019 of 815. This reporting period sees a drop in active members by 1.3%, this is attributable to an increase in number of joiners processed in the previous quarter and the continued increase in processing of early leavers (deferred and non member status) which shows a 36% increase compared to Qtr 4 2018/19.



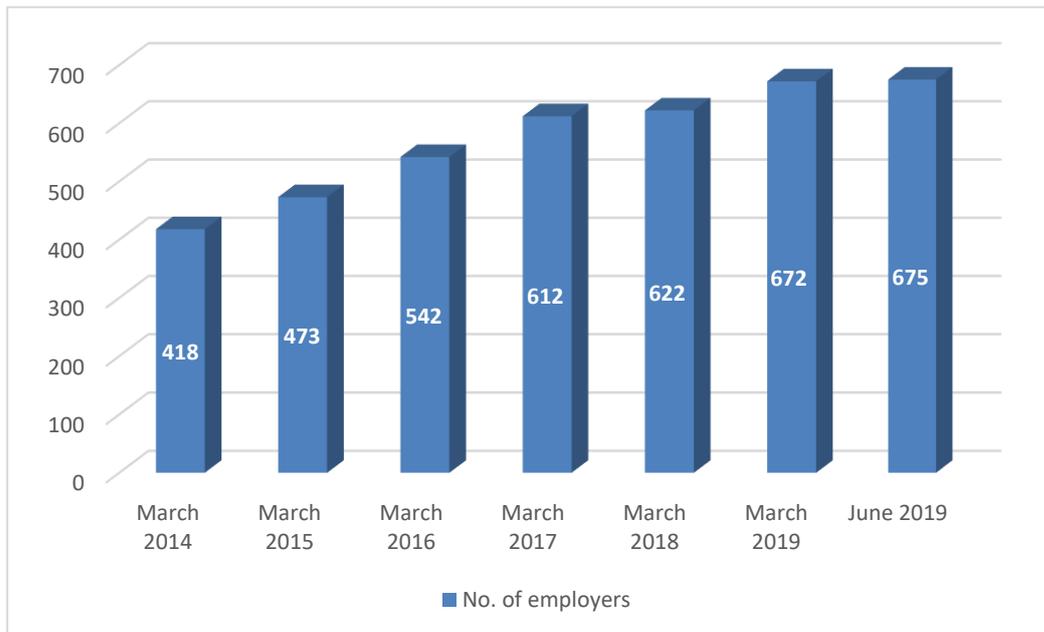
### Membership movement – WMITA Fund

3.2 The number of scheme member records in the WMITA Fund in all three categories stood at 4,937 on 30 June 2019, 6% are active members, 13% are deferred and the largest group are pensioner members at 81% of the total membership. The Fund is closed to new joiners but active members continue to accrue benefits. Detailed below are the current membership numbers showing movements between 31 March 2019 and 30 June 2019.

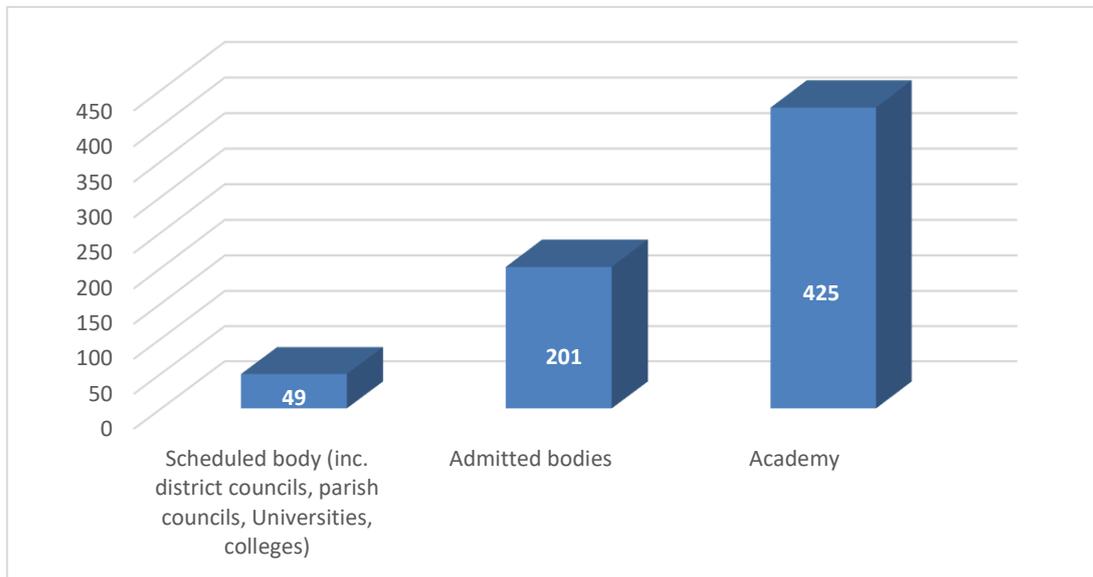
	Membership as at 31st March 2019			Net Movements during the period			Membership as at 30th June 2019		
	National Express	Preston Bus Ltd	Total	National Express	Preston Bus Ltd	Total	National Express	Preston Bus Ltd	Total
Active Members	313	0	313	-14	0	-14	299	0	299
Deferred Members	643	11	654	-18	-1	-19	625	10	635
Pensioner Members	3860	115	3975	23	5	28	3883	120	4003
<b>Total Members</b>	<b>4816</b>	<b>126</b>	<b>4942</b>	<b>-9</b>	<b>4</b>	<b>-5</b>	<b>4807</b>	<b>130</b>	<b>4937</b>

### Employers

3.3 The Main Fund continues to see an overall upward trend in employer numbers, with an increase of 3 employers over the previous quarter. The number of employers registered with the Fund as at 30 June 2019 is 675, a 61% increase since March 2014 as shown in the graph below.



3.4 The graph overleaf shows the breakdown of the total number of employers as at 30 June 2019 by employer type.



3.5 The level of on-going employer transition work being processed at the end of the period is as follows: -

- 88 admission agreements
- 26 academies
- 66 employer terminations

### **Workflow statistics**

3.6 The administration casework is managed through the UPM Pension Administration System, which records all processing activity on a members record.

3.7 During the period covered by this report, 43,928 administrative processes were commenced, a 10% increase compared to the same reporting period for 2018/19. As the number of processes started are increasing, the number of processes completed has also increased with 38,961 processes being completed, a 13% increase compared to the same reporting period for 2018/19. Further information on the workload volumes is detailed in Appendix A.

3.8 The number of active processes remains high. From 1 April 2018 to 31 March 2019, and have seen a continuing increasing trend over recent years, which is inline with increasing membership an employer numbers. In addition, the changes to the scheme, have resulted in casework remaining with the Fund for longer periods for example; when members re-join the scheme, they are allowed upto 12 months to decide whether to amalgamate their records, whereas previously this was done automatically unless the member elected to keep them separate. As the Fund continues to take a proactive approach to cleansing data, engaging with members, to improve awareness and engagement, more queries are being managed through improved electronic methods.

- 3.9 The total number of processes outstanding remains high and the increase this period represents an increase of employer web processes initiated following the issue of 'health checks' on member data to each employer. As part of the Valuation process, all employers have been issued data sets showing the current position for their employees, which has instigated a rise in member change, query and early leaver notification processes started.
- 3.10 The Fund continues to review the volumes of incoming work and putting in place plans to address key high volume areas. System development is being investigated as part of the Digital Transformation Programme, in a number of areas to provide longer term, cost-effective support for increasing volumes of benefit processing work.
- 3.11 A detailed analysis of the key processes completed across all operational functions e.g. calculating benefits for retirements, pensioner member data changes as well as the maintenance of updating membership details is shown in Appendix B.

#### **4.0 Digital Transformation and System Exploitation**

- 4.1 Work continues to develop the Digital Transformation Programme at the Fund, with a number of areas progressing over the last quarter. The aim of the programme is to support the Fund to transform its business areas through the use of information and technology to drive business efficiencies and cost savings whilst improving the service we provide to our members. The associated development work is included in the Funds budget for 2019/20.
- 4.2 An update on key development projects are detailed below:

##### **Employer Hub**

- 4.3 The key method for exchanging data with our employers is via the employer portal, which is key to ensuring efficient and secure exchange. The portal was first launched in 2012, and further development to ensure the functionality continues to develop to meet requirements. The new portal is being designed to improve the reporting functionality, improve the user experience through design, improve availability of performance monitoring information, enabling earlier issue resolution. A video demonstrating the new Employer Hub was delivered at the Fund's Mid-Year Review, and throughout the development of this functionality, we continue to engage with the Employer Peer Group to keep them updated on the project and get their views on the development underway to ensure the functionality meets requirements of day-to-day users. The Fund is now developing a more in-depth testing plan, which will be undertaken during the Autumn, with the aim of implementing the new portal with initial employers in early 2020.

##### **Employer Web Trays**

- 4.4 Following delivery of a system upgrade, testing is underway of the functionality with the aim of resuming the pilot with employers in the Autumn. An updated version of the functionality was demonstrated to the employer peer group in September, and some further productive feedback was received. This functionality will enable queries with data to be raised with employers via the web portal and the process will be sent to the employers' web-tray for action. This development will support flow of information and

assist in monitoring of queries and resolution, providing insight to the development of employer communications and coaching material and supporting faster resolution.

### **Deferred Retirement Quotes Online**

4.5 As previously reported to Committee, following the amendment to the regulations to allow deferred members to access their pension from age 55, the Fund has seen a significant increase in the number of requests for members. To support the management of this work, the Fund is developing a self-service facility for members. Functionality has been delivered by the software supplier and testing is underway with the aim of making this available to members later in the year.

### **5.0 Key Performance Indicators (KPIs)**

5.1 The Fund uses a number of KPIs to measure performance when processing items such as Transfers In and Out, Retirements and Deferred Retirements. With all but two (detailed below) cumulatively achieving the target service level.

- Notification of estimated retirement benefits – the performance relative to this indicator has continued to increase overall during the reporting period, meeting the target timescale in June. On average the cases processed within this reporting period were completed within 15.5 days, against the target of 15 days.
- Acknowledgement of a Death – the cumulative performance for the period is 88%, and on average across the reporting period the cases were processed in 4 days, against the target of 5.

5.2 The Fund is continuing to explore ways in which efficiencies can be identified to manage and improve service and the customer experience. The number of 'post event' customer satisfaction surveys are expanding, with surveys being piloted to joiners, deferred retirements and to members who have transferred in or out of the scheme. Highlighted results will continue to feed into ideas for service improvement and opportunities for processing efficiencies

5.3 Further information on KPIs by process by month over the reporting period is included in Appendix C.

### **6.0 Pensions in payment**

#### **Pensions in payment – Main Fund**

6.1 The gross annual value of pensions in payment for the Main Fund to June 2019 was £518.9m, £16.5m of which (£8.1m for pensions increase and £8.4m for added year's compensation) was recovered from employing authorities and other bodies as the expenditure was incurred..

#### **Pensions in payment – WMITA Fund**

6.2 The gross annual value of pensions in payment for the WMITA Fund to June 2019 was £26.8m, of which no further recharges for added year's compensation will be made to employing authorities and other bodies as the member and beneficiary are deceased.

## **7.0 Financial implications**

- 7.1 The report contains financial information which should be noted.
- 7.2 Employees of organisations who become members of the Local Government Pension Scheme will contribute the percentage of their pensionable pay as specified in the Regulations.

## **8.0 Legal implications**

- 8.1 The Fund on behalf of the Council will enter into a legally binding contract with organisations applying to join the Local Government Pension Scheme under an admission agreement.

## **9.0 Equalities implications**

- 9.1 This report has implications for the Council's equal opportunities policies, since it deals with the pension rights of employees.

## **10.0 Environmental implications**

- 10.1 The report contains no direct environmental implications.

## **11.0 Human resources implications**

- 11.1 This report has implications for the Council's human resources policies since it deals with the pension rights of employees.

## **12.0 Corporate landlord implications**

- 12.1 The report contains no direct corporate landlord implications.

## **13.0 Schedule of background papers**

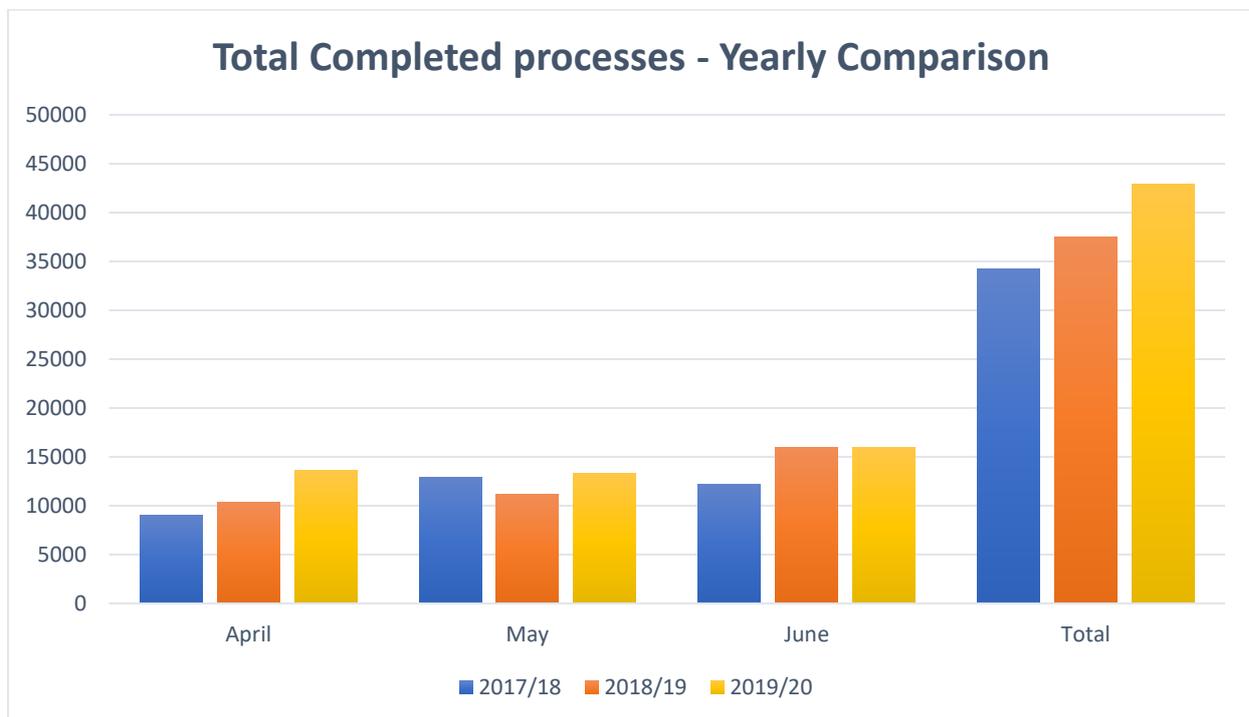
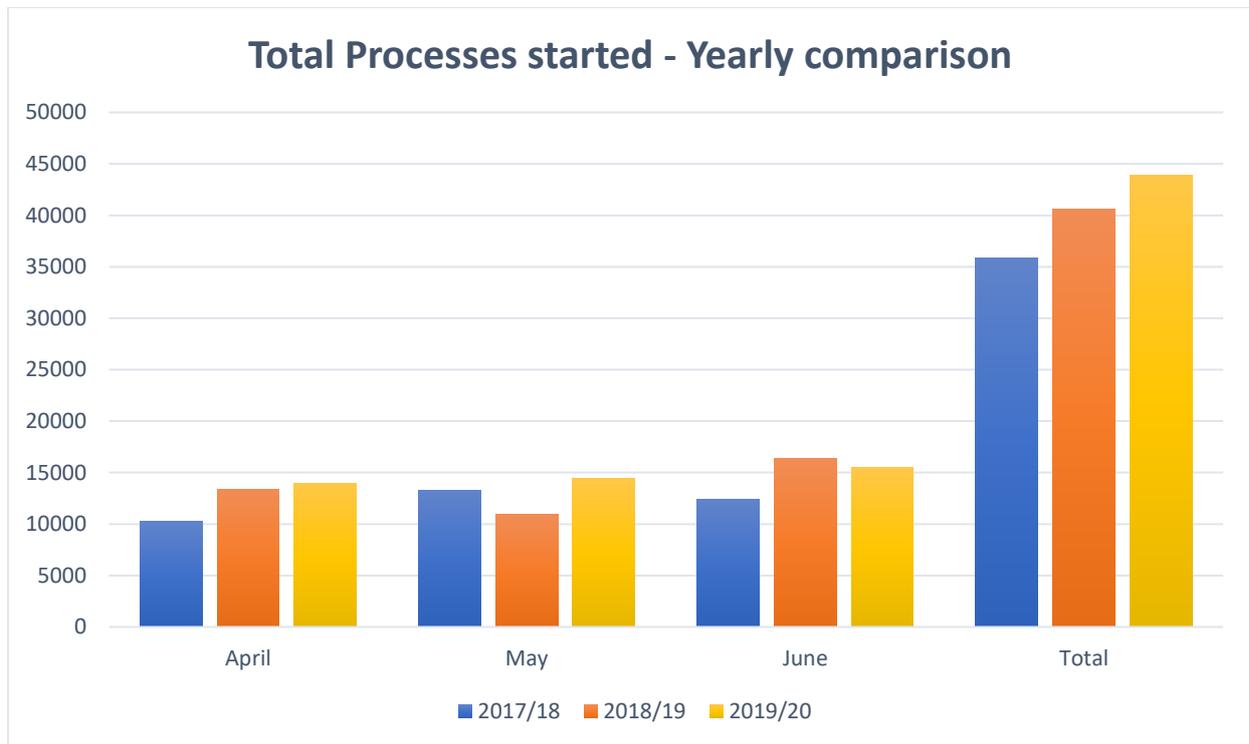
- 13.1 None.

## **14.0 Schedule of appendices**

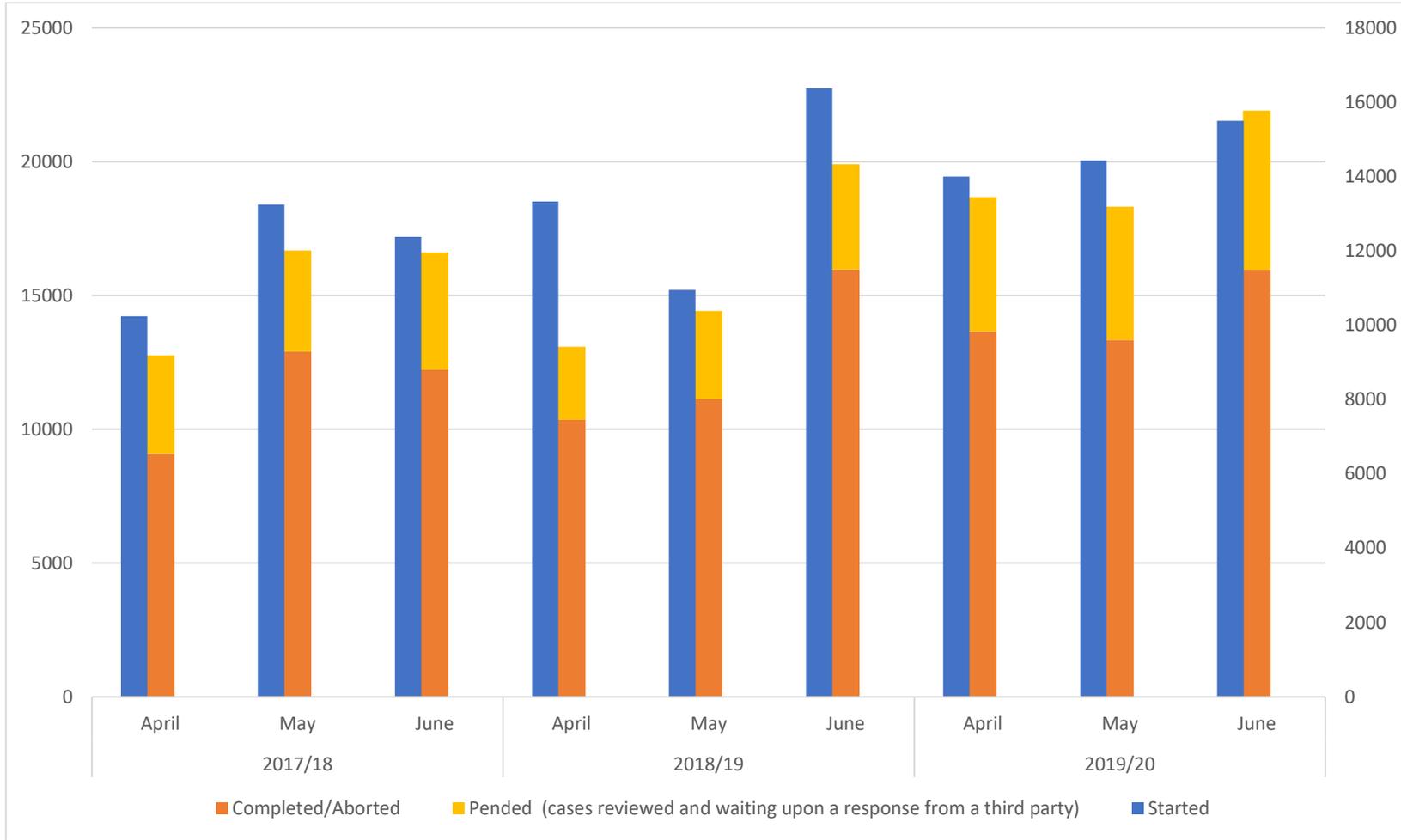
- 14.1 Appendix A: Workload Volumes
- 14.2 Appendix B: Detailed process analysis
- 14.3 Appendix C: Key performance indicators (KPIs)

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### Appendix A: Workload Volumes



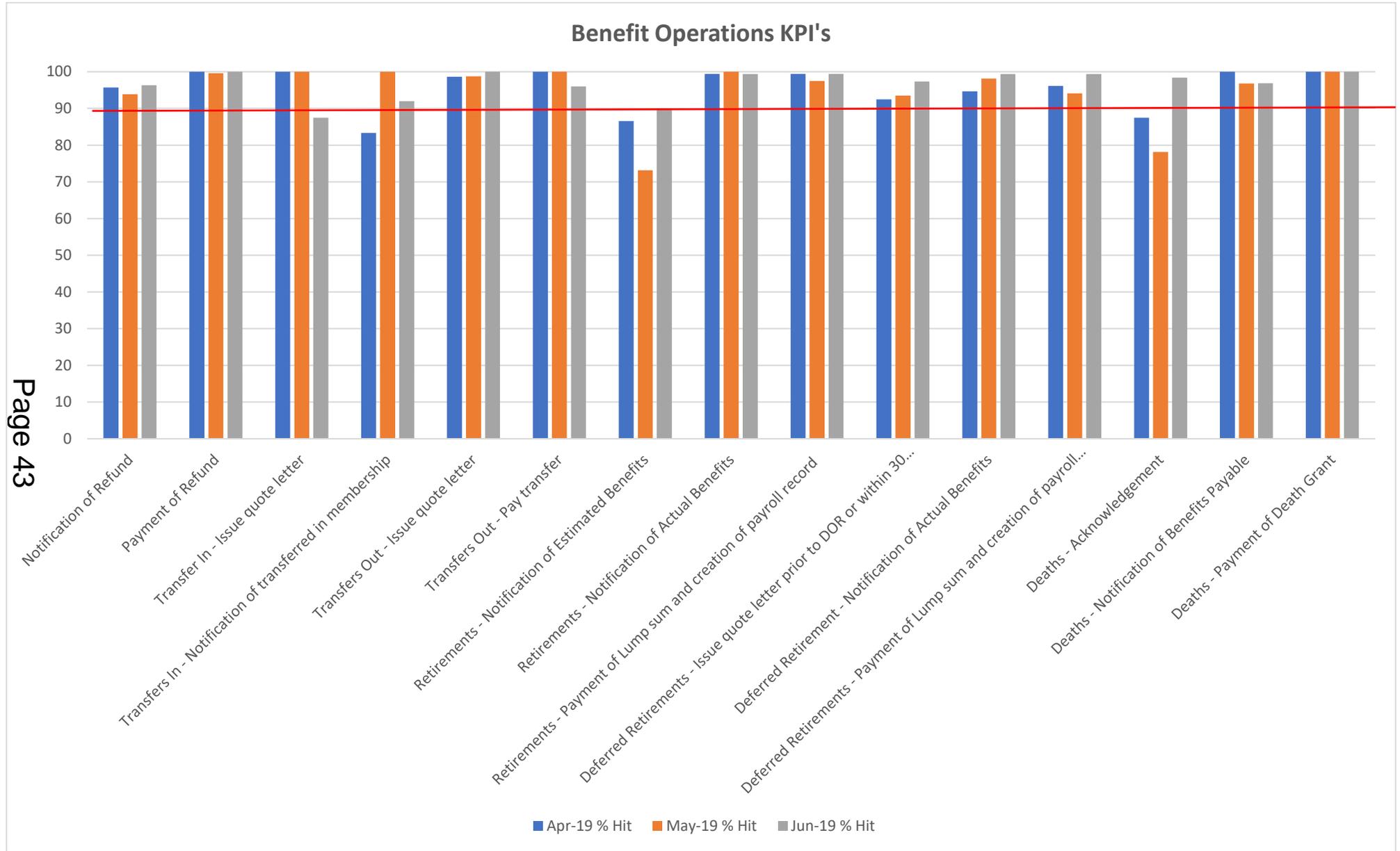
### Yearly comparison – Processes started vs processes actioned





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Appendix C: Key Performance Indicators



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<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Pensions Board</b> <b>22 October 2019</b>
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<b>Report Title</b>	Customer Engagement Update	
<b>Originating service</b>	Pension Services	
<b>Accountable employee(s)</b>	Simon Taylor	Head of Pensions
	Tel	01902 554276
	Email	<a href="mailto:Simon.taylor2@wolverhampton.gov.uk">Simon.taylor2@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Rachel Brothwood	Director of Pensions
	Tel	01902 551715
	Email	<a href="mailto:Rachel.brothwood@wolverhampton.gov.uk">Rachel.brothwood@wolverhampton.gov.uk</a>

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**Recommendation for noting:**

Board is asked to note:

1. The engagement activity and informed service development.

## 1.0 Purpose

- 1.1 To provide the Board with an update of the Fund's customer engagement activity from 1 April 2019 to 30 June 2019, in line with its Customer Engagement Strategy.

## 2.0 Background

- 2.1 One of the Fund's key objectives is to engage to improve outcomes for our customers. In line with this objective, the Fund has published, and keeps under review, a Customer Engagement Strategy to review satisfaction and help inform improvements to its pension services.
- 2.2 This report summarises engagement activity and the service development this is driving.

## 3.0 Engagement within this reporting period

- 3.1 The Fund has undertaken a wide range of proactive engagement with our customers and other stakeholders during the period 1 April 2019 to 30 June 2019.
- 3.2 In total, the Member Services team has assisted **1,323** members with pension related information during the period. This engagement includes presentations delivered to **356** attendees held at a variety of different employers, including the district councils, universities, school and other admitted bodies.
- 3.3 The feedback from these presentations was **43%** of the members rated them as excellent, **44%** as very good, **11%** as good and **2%** as satisfactory. Further detail on the feedback can be found in Appendix A with a summary of the scope of these events covered in Appendix B.
- 3.4 During this reporting period the team provided **9** satellite support events too hard to reach members who may not normally be able to access our services due to the nature of their work.
- 3.5 Further support has also been provided to members either through drop in sessions or scheduled one to one support sessions to **967** members on an individual basis.
- 3.6 The Fund works in partnership with local HR teams at our larger employers upon request to educate new starters of the benefits of the LGPS and provide support to members who are thinking about retirement. During this quarter we have delivered **4** LGPS induction sessions which were delivered to **64** attendees, **1** pre-retirement presentation and **1** pre-retirement workshop event which were attended by **30** members
- 3.7 On the 17 May the team piloted a new event called "Tea & Teach". This event was an output of our pensioner engagement forum based on feedback received and provides another opportunity to engage with our Pensioner membership. Due to the success of the pilot event, "Tea & Teach" will be rolled-out over the West Midlands region throughout 2020.

- 3.8 Comparison of the six months 1 January 2019 – 30 June 2019 to the corresponding period last year shows that member attendance levels for events provided by the Fund have remained broadly even with just over 3,100 during the first six months of the calendar year. Whilst overall levels are similar, there has been a transition in the events delivered, in response to service change and member feedback and change in member contact. Of particular note are the following:
- Following a change in Prudential's business model, removing the delivery of presentations, the Fund has incorporated its own AVC education events
  - New events include Tea & Teach and the Pre-Retirement Workshop.
  - Registrations for My Pensions Portal have increased from 62,000 in 2018 to 82,780 at the same point in 2019 (and a 10% increase on the previous quarter).
- 3.9 As the Fund evolves its service to reach more members, we have increased our digital footprint via initiatives such as webinars and online video shorts. Going forward we will monitor the effectiveness of this method of engagement both in terms of volume and via structured feedback, which will be summarised for the Board's information.
- 4.0 Employer Coaching**
- 4.1 One employer coaching session was held during the reporting period on 5 June 2019 which was based around roles and responsibilities in line with the Pensions Administration Strategy (PAS). In total there were ten attendees and feedback was positive with all attendees rating the session as good or excellent.
- 4.2 Following feedback gained from the sessions the Employer Services team held 'short-bite' sessions after the Mid-year review in May, where employers were invited to drop in and speak with a member of the team directly on issues relating to the administration of LGPS and regulation queries. Ten employers took up this opportunity.
- 5.0 Employer Peer Group**
- 5.1 Aligned to the Fund's objective to partner for success, the Fund holds an Employer Peer Group every three months.
- 5.2 The Employer Peer Group provides the Fund with valuable feedback and allows the Fund an opportunity to trial new initiatives, procedures and ideas, before implementation, to assist both member processing efficiencies and employer performance.
- 5.3 The most Employer Peer Group held during this quarter was the first for 2019/20 incorporating the new attendees, issues covered included:
- Member and Employer Services support including Webinar demonstrations and overview of the new 'Pre-retirement workshops' due to be rolled out
  - Current ongoing consultations including proposed implementation of the £95k Exit Cap

- 2019 Actuarial Valuation including the employer health check for comment before issue to all employers
- Future work programme and meeting agenda

5.4 A number of suggestions were put forward and feedback given by the group with respect to the above which will be considered by the Fund in future developments of these items.

5.5 The group was also asked to spend some time looking over the Funds website with feedback to be provided in due course to help with ongoing review to improve and increase the ability for employers and members to self-serve.

## **6.0 Employer Health Check**

6.1 Aligned to the 2019 actuarial valuation, the Fund issued an 'Annual Health Check' in May 2019, which requested employers check or confirm details such as accuracy of active member lists held by the Fund, membership profile (active, deferred and pensioner splits) and confirmation of approved users for access to the Employer Web Portal.

6.2 The benefits of this health check, which is intended to be revisited on an annual basis, includes validating and ensuring the accuracy of data held (which consequently could have an impact on contributions in a valuation year), verifying the access held by an organisation to the Employer Web Portal which is vital for data security purposes and ensuring the Fund holds correct and appropriate contact details for each employer.

6.3 The Fund received a positive level of engagement from these health check with 68% (452) of employers responding.

6.4 As a result of the information received from the 2019 health check, the following improvements have been made:

- A reduction in the number of queries referred to employers with respect to zero pay entries on monthly files.
- A reduction in unconfirmed leavers, having received notification from employers, enabling the Fund to flag certain members as a leaver. This will significantly improve the percentage of active member benefit statements, with greater certainty of eligible members.
- Employer web portal account revocations and reactivations, enhancing data security.

## **7.0 Monthly Data Collection**

7.1 Following the end of the 2018/19 year and in advance of the first 2019 benefit statement production, Employer Services has been targeting those employers who still have some monthly data files outstanding. At the time of compiling this report 81 files across 12 employers remain outstanding in respect of 2018/19 (from a total of 8,024 expected). Additional support is being given to those employers who have only recently been admitted into the Fund (including some where backdating is required).

- 7.2 The Fund previously communicated to employers its intention to review and reflect on the implementation of monthly data collection (MDC). This review has progressed and there have been a number of key appointments within the Fund to help underpin this development.
- 7.3 A Fund wide programme of improvement is underway to identify and enhance the MDC journey both for Employers and the Fund. Further consultations regarding this will be undertaken before any planned changes are introduced to the existing process.

## **8.0 Overall Customer Satisfaction**

### **Customer Satisfaction Surveys**

- 8.1 The rolling online customer survey available through the Fund's website continues to provide ongoing feedback and early notice of any common issues or concerns.
- 8.2 Alongside this, the Fund encourages feedback using a range of different channels, such as through surveys issued following member, customer and trustee events. Within all of our external surveys, two 'core' questions are included which measure overall customer satisfaction. The overall satisfaction over this period has been noted as 98.2%.
- 8.3 The number of 'post event' customer satisfaction surveys are expanding, with surveys being piloted to new joiners, deferred retirees and to members who have transferred in or out of the scheme. The results of these surveys should provide valuable insight into customer experience and also enable the Fund to build upon any gaps highlighted through our service delivery.
- 8.4 As a result of the feedback received so far, the Fund has been able to improve several aspects of service delivery from self-service opportunities to modifying communications and training for our internal teams.

## **9.0 Communications and Publications**

- 9.1 Members continue to view the Fund's video shorts which are available through the website and have recently been updated to comply with the changes in factors/reduction from April 2019. The videos assist members with registration for pensions portal, provide an overview of the LGPS, promote the 50:50 section and explain the annual benefit statements. Since the videos were published **4,316** members have accessed and viewed the videos. This is a **30%** increase since the June customer engagement update covering 1 January to 31 March 2019 activity
- 9.2 During the month of June, the Fund produced deferred members with their annual benefit statement. As part of the Fund's commitment to encourage members to engage with their benefits, the Fund issued emails to members to notify them that their benefits statement is on the Pensions Portal. The Fund sent emails to **33,096** members for whom email addresses were held, **60%** of these members opened and read the email equating to **15,227** members.

- 9.3 The Fund issued annual Pension Savings Statements ahead of the statutory deadline (6 October 2019) to all members breaching annual allowance limits by 25 September 2019 (tapered members by the end of August 2019).
- 9.4 The 2019 Summer edition of the Employer brief was collated during the period and circulated to all employers in August. This edition contained articles and important information on the following topical issues and Industry updates:
- 2019 Actuarial valuation: Important Information and updates
  - Mid-year review feedback
  - Ministry of Housing, Communities and Local Government (MHCLG) consultations: Changes to the valuation cycle and Management of Employer Risk
  - Advice on how to reduce the number of queries raised by the Fund with respect to employer data
- 9.5 Following positive feedback from a wider range of stakeholders, including Pensions Committee and Board members, Employer Mid-Year Review attendees and Employer Peer Group, the Fund has developed an e-book version of the “Be Pension Smart” member awareness leaflet. This is planned for wider roll-out, to include circulating to Trade Union representatives, participating employers and to be available through the Fund’s website. The aim of this initiative is to reduce the production of paper leaflets (whilst catering for those who still prefer paper communication) and to optimise coverage across the membership providing a more interactive electronic medium, recognising the requirements of an increasing digital age. This initiative has already been widened to other Fund literature, such as the “All about your Scheme” guide and will be developed further as appropriate. A demonstration of the “Be Pensions Smart” e-book will be provided to the Board after this report.

## **10.0 Pension Roadshows**

- 10.1 During this reporting period the team delivered Roadshows at depot locations across the West Midlands region. The team delivered **2** roadshow events which saw **108** members come on board the bus and seek support with their pension benefits.
- 10.2 The team also delivered a series of roadshows to Local Authority Schools across the Coventry area, this saw **6** roadshows delivered with **119** members coming on board.
- 10.3 In addition, the Member Services team delivered the annual Pension Roadshow events across the district councils between the 9 and 27 September. These events proved particularly popular this year with a 37% increase in footfall compared to last year (1,182 attendees in 2019 compared to 861 in 2018). More information is being compiled around the primary nature of queries received to help shape the service going forward.

## **11.0 Support and communication on the horizon over the next quarter**

- 11.1 The Fund has or will be providing various support and communication to its customers and stakeholders in the near future, which will be covered in future Board reports. This range of activity extends from working with LGA and other funds, the development of

new methods of communication to engage with our membership and upcoming support which is due to be delivered to members.

- 11.2 The West Midlands Pension Fund is one of three LGPS Funds working with the LGA and “My Landscape” to prepare videos designed at increasing LGPS member engagement at national level. These should be complete by the end of year and rolled out to all Funds to use.
- 11.3 Following the issue of Pension Savings Statements in September, the Member Services Team is planning to provide pension tax support to these members by explaining what pension savings are and the implications and options if limits are exceeded. The team will be offering Pension Tax presentations to employers from mid-November onwards.
- 11.4 The programme of employer performance feedback continues with focus on the larger employers where areas for improvement have been identified. Regular progress calls have been scheduled with two employers identified as requiring extra support in order to achieve an improved performance position with respect to data submission timeliness and quality. These calls supplement the initial face to face meetings that took place within the period where targets for improvement were established.
- 11.5 A special edition of the Employer Brief is currently being drafted focusing specifically on the 2019 Actuarial Valuation. The update will be based broadly around the consultation sessions given during June and July, the details of which are contained within the separate valuation report provided.

## **12.0 Mid-Year Review (MYR) 2019**

- 12.1 The Fund held its MYR 2019 meeting at the Molineux Stadium on 3 July 2019. The event was well attended by employers, Pension Committee and Pensions Board representatives. This year the event included some interactive mobile phone software to promote audience engagement. The event was a success and received positive with all attendees rating the event as good or excellent.
- 12.2 Overall, Customer Engagement proved the most popular topic as the Fund delivered a presentation noting the engagement activity for both members and employers, using our engagement opportunities to highlight the current key themes across the industry throughout the year. Performance and Transformation, together with the Fund Outlook came in second place of most popular topics which shows the keen interest our employers have in our work and areas of focus.
- 12.3 This year the event included some interactive mobile phone software to promote audience engagement, during those session, employers chose a preference for more briefing notes and updates from the Fund, together with more opportunity for face to face engagement. As noted in the report, the Fund has identified potential opportunities for further engagement with employers and has recently expanded its Employer Peer Group as reported to the Board in July.

12.4 This event was also a key time to engage and receive comments on the Fund's proposals for the development of Employer Hub with a high preference from employers to have the ability to run and access their own reports on performance and service delivery. This is a key functionality the Fund is looking to develop with the Hub, reinforcing the potential benefits this will bring for both employers and the Fund.

### **13.0 Annual General Meeting 2019**

13.1 The Fund's 2019 Annual General Meeting has been booked for the 3 December 2019 at the WV1 Bar at Molineux Football Stadium. Invites will be sent out in October to all employers and, building on the feedback received from MYR 2019, will include an update on Fund outlook, progress with the actuarial valuation, member experience, investment in property, new tools for employers and insight into the Fund's recent engagement with TPR.

### **14.0 Financial implications**

14.1 The report contains no direct financial implications

### **15.0 Legal implications**

15.1 The report contains no direct legal implications.

### **16.0 Equalities implications**

16.1 The report contains no direct equalities implications.

### **17.0 Environmental implications**

17.1 The report contains no direct environmental implications.

### **18.0 Human resources implications**

18.1 This report contains no direct human resources implications.

### **19.0 Corporate landlord implications**

19.1 The report contains no direct corporate landlord implications.

### **20.0 Schedule of background papers**

20.1 None.

### **21.0 Schedule of Appendices**

21.1 Appendix A: Member Services Feedback

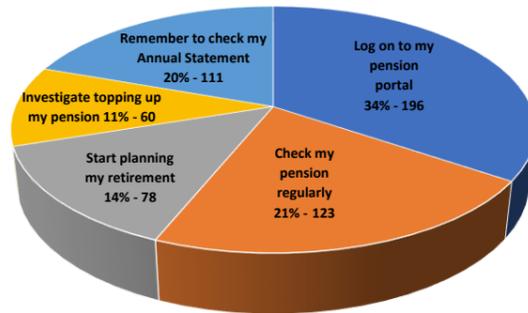
21.2 Appendix B: Member Services events covered 1 March to 30 June 2019.

# Appendix A: Member Services Team – Presentation Feedback April – June

## Members feedback on the following areas

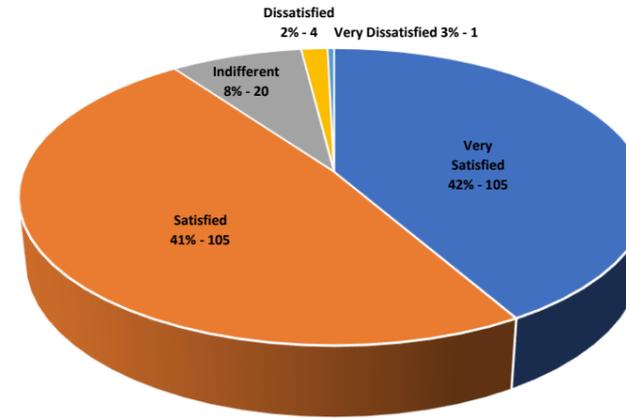
★ 100% said they would recommend events to a colleague

What are you going to do following this presentation?



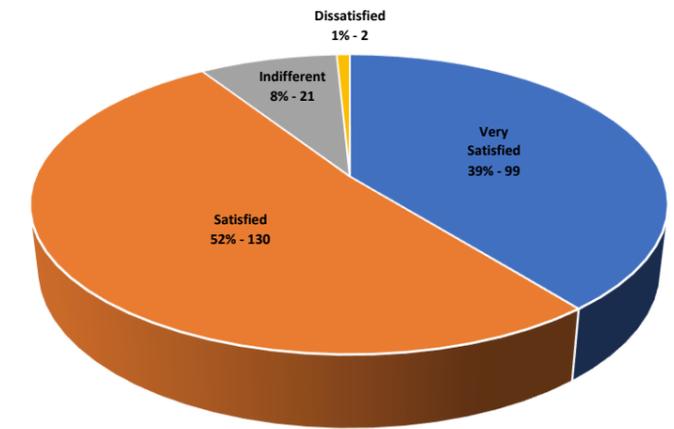
- Log on to 'My Pensions Portal'
- Start planning my retirement
- Remember to check my annual statement
- Check my pension regularly
- Investigate topping up my pension

How satisfied are you with your most recent interaction with WMPF?



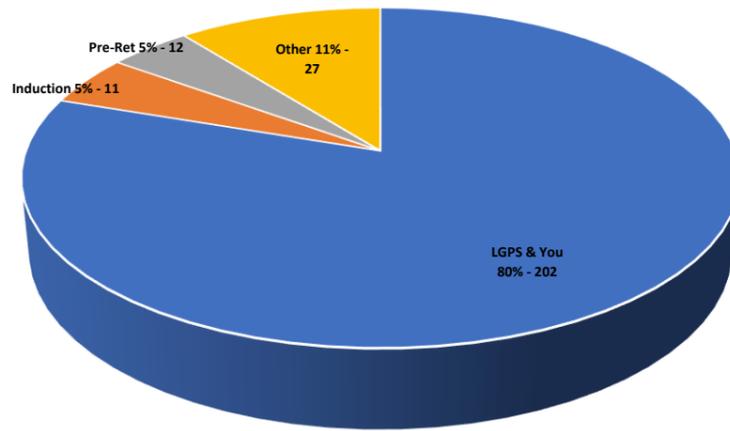
- Very satisfied
- Satisfied
- Indifferent
- Dissatisfied
- Very dissatisfied

How satisfied are you with the overall service that you have received from WMPF?



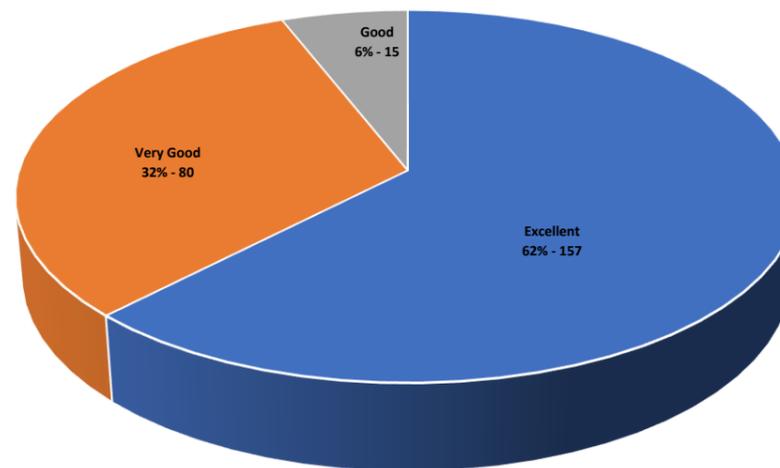
- Very satisfied
- Satisfied
- Indifferent
- Dissatisfied
- Very dissatisfied

Which presentation did you attend?



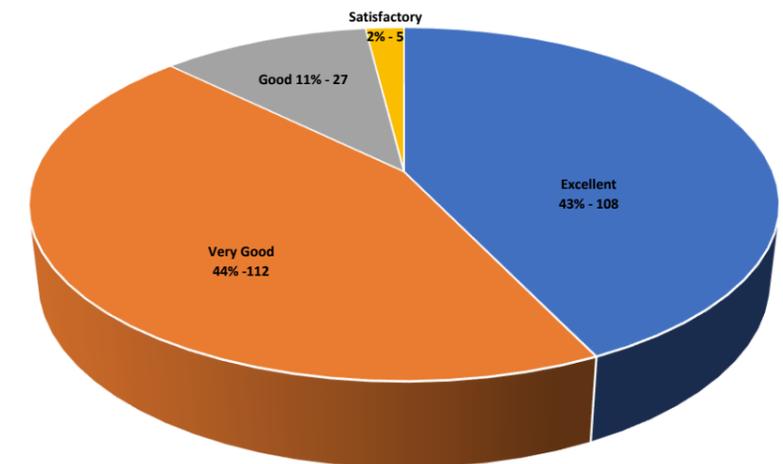
- LGPS & You
- Pre-Ret.
- Induction
- Other

Presenters knowledge and presentation



- Excellent
- Very Good
- Good
- Satisfactory
- Poor

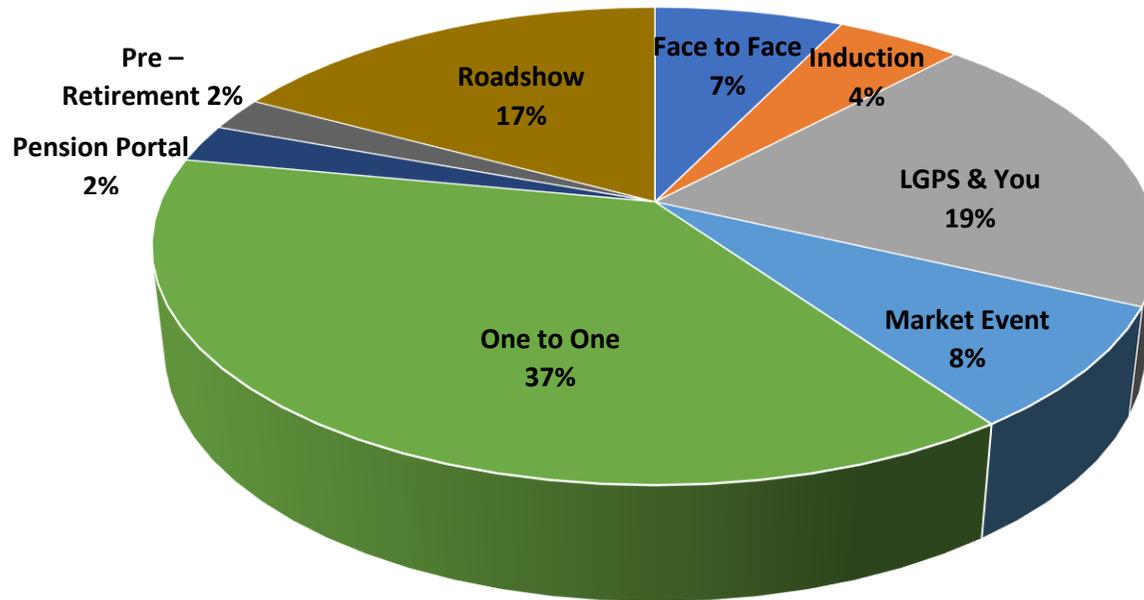
Presentation Rating?



- Excellent
- Very Good
- Good
- Satisfactory
- Poor

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# Appendix B: Member Services Team Stats - Events attended 1<sup>st</sup> April 2019 to 30<sup>th</sup> June 2019



Event Type	Attendance
Face to Face	96
Induction	64
LGPS & You	262
Market Event	110
One 2 One	500
Pension Portal	34
Pre-Ret.	30
Roadshow	227
<b>Total</b>	<b>1,323</b>

- Face to Face
- Induction
- LGPS & You
- LGPS & You with bolt on Pre-Ret.
- Market Event
- One 2 One
- Pension Portal
- Pension Tax
- Pre-Ret.
- Roadshow

**Apr-19**

<b>Date</b>	<b>Venue</b>	<b>Event Type</b>	<b>Attendance</b>
01/04/2019	Solihull MBC	Roadshow	31
02/04/2019	Washwood Heath Academy	One 2 One	7
02/04/2019	Cockshut Hill Primary	LGPS & You	23
02/04/2019	Cockshut Hill Primary	Face 2 Face	4
03/04/2019	Whitley Depot Roadshow	Roadshow	77
04/04/2019	Dudley MBC (Appt booked with member at Mander House)	One 2 One	1
05/04/2019	Library of Birmingham	One 2 One	12
08/04/2019	Whitefriars (Lakeside)	One 2 One	6
09/04/2019	South & City College (Hall Green)	One 2 One	10
09/04/2019	Whitefriars (Lakeside)	One 2 One	6
10/04/2019	South & City College (Bordesley Green)	One 2 One	11
11/04/2019	South City & College (Digbeth)	One 2 One	11
11/04/2019	Whitefriars (Little Park Street)	One 2 One	12
12/04/2019	Birmingham CC	One 2 One	13
12/04/2019	Dudley College	One 2 One	10
15/04/2019	Coventry Sports Trust	One 2 One	8
15/04/2019	Coventry Sports Trust	Face 2 Face	2
24/04/2019	Serco	One 2 One	12
25/04/2019	Serco	One 2 One	14
29/04/2019	Steps to Work	One 2 One	9
29/04/2019	City of Wolverhampton Council (Vulnerable Families Team)	LGPS & You	12
29/04/2019	City of Wolverhampton Council (Vulnerable Families Team)	Face 2 Face	4
30/04/2019	City of Birmingham School	One 2 One	14
30/04/2019	Serco Ltd (Appt booked with member at Mander House)	One 2 One	1
<b>Total</b>			<b>310</b>

## May-19

Date	Venue	Event Type	Attendance
01/05/2019	The Unicorn Centre (Dudley MBC)	One 2 One	12
01/05/2019	Lordswood Girl's School	One 2 One	12
01/05/2019	Old Park School	LGPS & You	22
01/05/2019	Old Park School	Face 2 Face	7
02/05/2019	Harborne Primary School	One 2 One	14
02/05/2019	St Peter's Collegiate C of E Academy Trust	One 2 One	14
07/05/2019	Birmingham CC - Central North Housing Management Team	One 2 One	13
07/05/2019	Greenwood Academy	One 2 One	22
08/05/2019	Walsall MBC	Induction	16
08/05/2019	Alderbrook School	One 2 One	8
08/05/2019	Charter Primary School	LGPS & You	17
08/05/2019	Charter Primary School	Face 2 Face	6
09/05/2019	City of Wolverhampton Council	Induction	18
09/05/2019	St Saviour's C of E Primary School	LGPS & You	15
09/05/2019	St Saviour's C of E Primary School	Face 2 Face	5
15/05/2019	Amey	Pre-Ret.	15
15/05/2019	Amey	Face 2 Face	6
15/05/2019	Woodthorne Primary School - Perry Hall MAT	LGPS & You	8
16/05/2019	Abbey Primary School	One 2 One	8
16/05/2019	Solihull Council	Market Event	79
17/05/2019	Wolverhampton City Council (Tea & Teach)	Market Event	31
20/05/2019	Cannon Park Primary School	One 2 One	12
20/05/2019	The Unicorn Centre (Dudley MBC)	One 2 One	14
21/05/2019	Willenhall Community Primary School	Roadshow	46
21/05/2019	West Bromwich Police Station	One 2 One	8
22/05/2019	Stoke Heath Primary School	Roadshow	20
23/05/2019	St Elizabeth's Catholic Primary School	One 2 One	11
24/05/2019	Damson Wood School	LGPS & You	13
24/05/2019	Damson Wood School	Face 2 Face	3
28/05/2019	Walsall MBC (Appt booked with member at Mander House)	One 2 One	1
29/05/2019	Library of Birmingham	One 2 One	10
<b>Total</b>			<b>486</b>

**Jun-19**

<b>Date</b>	<b>Venue</b>	<b>Event Type</b>	<b>Attendance</b>
03/06/2019	Frederick Bird Primary School	Roadshow	22
04/06/2019	Wyken Croft Primary School	Roadshow	15
05/06/2019	Walsall MBC	Induction	12
05/06/2019	Walsall MBC	Face 2 Face	3
05/06/2019	Dudley MBC (Appt booked with member at Mander House)	One 2 One	2
06/06/2019	City of Wolverhampton Council	Induction	18
06/06/2019	St Christopher Primary School	Roadshow	10
07/06/2019	Manor Park Primary School	Roadshow	6
10/06/2019	Walsall MBC	Pre-Ret. Workshop	15
10/06/2019	Walsall MBC	Face 2 Face	3
10/06/2019	SS Peter & Paul Catholic Primary School	LGPS & You	8
10/06/2019	SS Peter & Paul Catholic Primary School	Face 2 Face	2
10/06/2019	Canterbury Cross Primary School	LGPS & You	15
10/06/2019	Canterbury Cross Primary School	Face 2 Face	4
11/06/2019	Coventry CC - Deprivation of Liberty Safeguarding Team	One 2 One	13
12/06/2019	Cockshut Hill School	One 2 One	12
12/06/2019	Solihull Community Housing	One 2 One	12
12/06/2019	City of Wolverhampton Council (Multi-Agency Safeguarding Hub)	One 2 One	13
13/06/2019	Limbrick Wood Primary School	One 2 One	17
13/06/2019	City of Wolverhampton Council (Priory Green)	One 2 One	9
17/06/2019	LGPS Central	LGPS & You	5
17/06/2019	LGPS Central	Face 2 Face	4
17/06/2019	Tiverton School	LGPS & You	22
17/06/2019	Tiverton School	Face 2 Face	5
17/06/2019	City of Wolverhampton Council (Appt booked with member at Mander House)	One 2 One	1
18/06/2019	E-ACT North Birmingham Academy	LGPS & You	12
18/06/2019	E-ACT North Birmingham Academy	One 2 One	10
18/06/2019	E-ACT North Birmingham Academy	One 2 One	8
19/06/2019	Birmingham CC - Montague Street	One 2 One	6
21/06/2019	Coventry University	LGPS & You x3	57
21/06/2019	Coventry University	Face 2 Face	12
21/06/2019	Lordswood Girls School	One 2 One	9
21/06/2019	City of Wolverhampton Council (Appt booked with member at Mander House)	One 2 One	1
24/06/2019	Birmingham Children's Trust	One 2 One	13
24/06/2019	Whitefriars	One 2 One	8
25/06/2019	Birmingham Children's Trust	One 2 One	13
26/06/2019	Birmingham Children's Trust	One 2 One	12
26/06/2019	Birmingham CC - Shelforce	One 2 One	11
27/06/2019	Birmingham Children's Trust	One 2 One	14
28/06/2019	St Peter's Collegiate School	Pensions Portal Presentation x2	34
28/06/2019	St Peter's Collegiate School	Face 2 Face	16
28/06/2019	West Midlands Combined Authority	LGPS & You	33
28/06/2019	West Midlands Combined Authority	Face 2 Face	10
<b>Total</b>			<b>527</b>

<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Pensions Board</b> 22 October 2019
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<b>Report title</b>	Data Management Report April – August 2019	
<b>Originating service</b>	Pension Services	
<b>Accountable employee(s)</b>	Rachel Howe Tel Email	Head of Governance and Corporate Services 01902552091 <a href="mailto:Rachel.Howe@wolverhampton.gov.uk">Rachel.Howe@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Rachel Brothwood Tel Email	Director of Pensions 01902551715 <a href="mailto:Rachel.Brothwood@wolverhampton.gov.uk">Rachel.Brothwood@wolverhampton.gov.uk</a>

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**Recommendation for noting:**

The Board is asked to note:

1. The work of the Fund in delivering its Data Management Strategy and the steps taken to monitor and drive Data Quality across the Fund.

## 1.0 Purpose

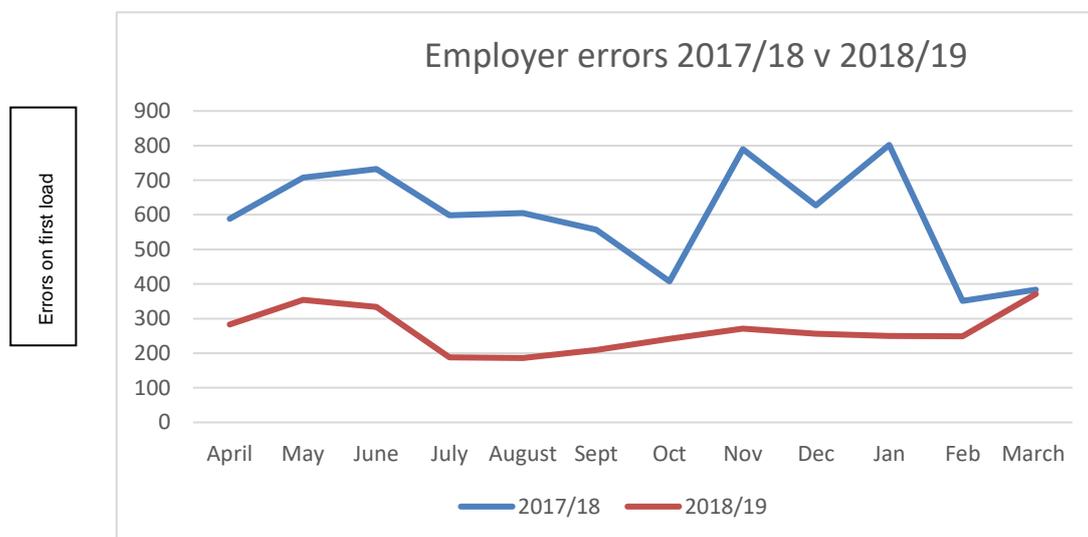
- 1.1 To provide Board with an update on the work of the Fund in delivering improved data quality in line with the Pension Regulator's Code of Practice.

## 2.0 Background

- 2.1 All Local Government Pension Schemes collect and hold records about scheme members' identities, personal data, pay and their time in the scheme in order to calculate and pay out pension benefits. Record keeping is a vital part of running a scheme and failure to maintain complete and accurate records means the Fund is at risk of failing to meet its legal obligations. Crucially, it can affect the Fund's ability to complete basic functions such as paying members the right amount at the right time and issuing annual benefit statements as required under the Local Government Pension Scheme Regulations.
- 2.2 In response to this, the Fund adopted its Data Management Strategy which seeks to inform priorities and deliver related initiatives such as the Fund's Digital Transformation Programme and the 2019 Actuarial Valuation which is heavily reliant on good data to assess the Fund's liabilities.

## 3.0 Monthly Submissions

- 3.1 The Fund monitors the performance of employers in their timeliness and quality of data submitted through the monthly submissions process, as well as their action to cleanse historic errors which may have previously prevented the production of a benefit statement or delayed a benefit operation process.
- 3.2 This year, the Fund has seen a marked improvement in the quality of information being received, with a 57% improvement on the quality of data received at the first point of load from employers prior to analysis by the Fund's data team. The position as at the end of March is comparative due to the need to reconcile end of year salary information.



- 3.3 In addition, employer performance in relation to the timely submission of files has improved dramatically with 75% of files received on time compared to 37% in 2017/18, with 96% of total files expected submitted by year end compared to 88% last year.
- 3.4 Two years on from the introduction of monthly submissions, the Fund has developed its understanding of member data, the process of production of monthly files by employers and the reporting requirements of the Fund in compliance with statutory duty, as well as its ability to report on the performance of employers in line with the Pension Administration Strategy (which is linked to the Fund's development of employer self-service available through the new Employer Hub). As good practice and to build on learnings from the first two years of the programme, the Fund is undertaking a review of the monthly submissions process to continue to develop this as the primary route for effective and efficient data management.
- 3.5 The focus of this review is threefold:
- i. To improve data quality at the point of receipt through more detailed validations on upload from employers
  - ii. To enable efficiencies in the processing of monthly files through process reviews and possible automation
  - iii. To enable accurate and timely reporting on performance and workload management in line with the Pension Administration Strategy and the Fund's own Key Performance Indicators.

This work is being considered in conjunction with the development of the roll out of new employer tools (work trays and hub) during 2019/20.

#### **4.0 Annual Benefit Statements 2019**

- 4.1 This year the Fund has delivered Active Benefit Statements for 85% of its active membership ahead of the 31 August deadline with the first run completed for Deferred Benefit Statements also producing 99% of statements. Work continues to cleanse the data on identified leavers together with employer engagement planned to highlight and present queries for resolution to enable additional 2019 statement production. Further detail is provided in the Legal and Compliance Update report.

#### **5.0 Ongoing Data Management**

##### **Employer Hub**

- 5.1 In 2012, the Fund launched its first employer portal which enabled employers to view member records and undertake some initial member level processes and provision of data. Since its launch the Fund has worked with Civica to further enhance the portal, to increase the functionality available within the system.

- 5.2 The current employer portal is the main method for data exchange with employers and is a Fund key priority to enhance electronic working with stakeholders. With the continued growth in the Fund's employer base, standing at 673 employers, as at 31 March 2019, the need to facilitate greater employer self-service has increased.
- 5.3 The new Employer Hub will enable employers to run their own performance reports and dashboards enabling greater employer-led management of performance against the Pension Administration Strategy, including the monitoring of data quality.

### **Deferred Member Tracing and Mortality Screening**

- 5.4 For deferred members no longer in active employment with a Fund employer, the Fund is reliant on member notification of changes in address and contact information which enable the Fund to remain in dialogue. Member self-service through the portal enables update of personal details but returned post and gaps in portal uptake indicate a higher risk of loss of member contact.
- 5.5 To assist in the review and update of data held, the Fund has developed a deferred member tracing programme targeting checks on member contact information ahead of their anticipated retirement date, with the aim of reducing data queries and confirming contact at retirement. An enhanced mortality screening programme is also being trialled to minimise delay in review and change to pension payments in the event of member death.
- 5.6 The programme is intended to assist in reducing processing times at retirement, potential data breaches and risk of overpayments.

### **Employer Health Checks**

- 5.7 As noted in the Actuarial Valuation report, the Fund's Employer Services team have undertaken a series of employer health checks asking employers to reconcile their member lists with those held by the Fund ahead of issue of preliminary valuation results. This has proven an effective tool in highlighting discrepancies in active member records held by the Fund compared to those held by the employer as a result of delays in leaver notifications. These delays impact both the Fund's ability to prepare benefit statements and the employers' triennial valuation results and future contribution requirements. Responses to the health checks are being processed and member records updated through ongoing cleanse activity.
- 5.8 Progress against the Fund's data management strategy will be assessed and reported to Board in January, as targeted initiatives progress in response to the annual and triennial projects.

## **6.0 Financial implications**

- 6.1 Failure by the Fund to meet statutory requirements of effective governance and administration could result in fines imposed by the Pensions Regulator.

## **7.0 Legal implications**

- 7.1 Failure by the Fund to comply with legislation and/or statutory guidance can result in enforcement action and fine from both the Pension Regulator and the Courts via judicial review.

## **8.0 Equalities implications**

- 8.1 Equality Impact Assessments have been undertaken for all of the Fund's programmes and projects. There are no identified implications.

## **9.0 Environmental implications**

- 9.1 There are no environmental implications.

## **10.0 Human resources implications**

- 10.1 There are no human resources implications.

## **11.0 Corporate landlord implications**

- 11.1 There are no Corporate landlord implications.

## **12.0 Schedule of background papers**

- 12.1 Business Performance and Data Management Report to Pensions Board in July 2019 (including the adoption of the data management strategy)  
<https://wolverhamptonintranet.moderngov.co.uk/documents/s113413/Business%20Performance%20and%20Data%20Management.pdf>

## **13.0 Schedule of appendices**

- 13.1 None

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<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<h1>Pensions Board</h1> <p>22 October 2019</p>
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<b>Report title</b>	Annual Report and Accounts 2018/19	
<b>Originating service</b>	Pension Services	
<b>Accountable employee(s)</b>	Darshan Singh	Head of Finance
	Tel	01902 555768
	Email	<a href="mailto:darshan.singh@wolverhampton.gov.uk">darshan.singh@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Rachel Brothwood	Director of Pensions
	Tel	01902 551715
	Email	<a href="mailto:rachel.brothwood@wolverhampton.gov.uk">rachel.brothwood@wolverhampton.gov.uk</a>

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### Recommendations for noting:

The Board is asked to note:

1. The Statement of Accounts for West Midlands Pension Fund (WMPF) for the year ending 31 March 2019 was audited and completed by 31 July 2019.
2. The draft Annual Report for WMPF was considered by Pensions Committee on 25 September and is now subject to audit by the Fund's external auditors, Grant Thornton.
3. The accounts for the West Midlands Integrated Transport Authority (ITA) for the year ending 31 March 2019 were audited and completed on 31 July 2019.

## **1.0 Purpose**

- 1.1 The purpose of this report is to update the Board on the preparation, approval and audit of the Statement of Accounts and the Annual Report for the year ending 31 March 2019 and the latter's publication on the Fund's website.

## **2.0 Background**

- 2.1 Local Government Pension Scheme (LGPS) funds are required by law to produce a Statement of Accounts and an Annual Report. These must be subject to external audit and published no later than 31 July (accounts) and 1 December (Annual report) respectively.
- 2.2 In preparing their Annual Report and accounts, funds must have regard to proper practice and to any guidance which has the effective standing of 'statutory guidance'. These are:
- for the Statement of Accounts, 'The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19' (CIPFA) ('the Code');
  - for the Annual Report, 'Preparing the Annual Report: Guidance for Local Government Pension Scheme Funds' (CIPFA).
- 2.3 As well as being published in the Fund's own Annual Report, its accounts must be included in the Statement of Accounts of the Administering Authority (in this case, the City of Wolverhampton Council or West Midlands Combined Authority). It is important to note that the transactions and balances of the Funds are completely separate and not combined with those of the respective Administering Authority.
- 2.4 The draft accounts are required to be certified by the Section 151 Officer on or before 31 May following the year end. The certification was given by the City of Wolverhampton Council's Director of Finance on 31 May 2019 and by the Combined Authority's Finance Director on 20 May 2019.

## **3.0 Accounts Closure and Preparation of the Annual Report**

- 3.1 Despite challenging deadlines and a number of conflicting pressures, the Fund has succeeded in preparing its draft statement of accounts within the statutory deadline. This is due to careful planning, resource management and close monitoring.
- 3.2 A combined Annual Report has been prepared which contains the report and accounts for both West Midlands Pension Fund and the ITA Pension Fund in the same document.

#### **4.0 Draft Annual Report 2018/19**

4.1 The draft Annual Report will shortly be made available on the Fund's website. The Fund has prepared a single Annual Report that includes both the WMPF and the ITA Fund. The contents of the Annual Report are as follows:

- Introduction
- Management and Financial Performance
- Investment Policy and Performance
- Scheme Administration Report
- Actuarial Report
- Governance Arrangements
- Statement of Accounts
- Pensions Administration Strategy
- Funding Strategy Statement
- Investment Strategy Statement
- Communications Policy Statement
- Further Information

4.2 The Annual Report provides a thorough review of the Fund's activities during the year and notes particular successes including:

- Maintaining the cost of administration, oversight and governance per member within budget (£23.11 versus £25.76).
- Achieving a return on investments (WMPF) of 9.2% p.a. over the five years to 31 March 2019 compared to a benchmark return over the same period of 8.6% p.a.
- Transitioning a combination of £5.9bn worth of assets and cash to the regional investment pooling company, LGPS Central Limited, in line with the Government's Investment Pooling Guidance of 1 April 2018.
- Playing a key role through both the Local Authority Pension Fund Forum and the United Nations Principles for Responsible Investment (PRI) in advancing the responsible investment agenda.

#### **5.0 Statement of Accounts 2018/19**

5.1 The purpose of the Statement of Accounts is to report the Fund's financial performance for the year and its balances and reserves as at the year end. There are two primary statements; the Fund Account, which is concerned with transactions during the year and, the Net Assets Statement, which reports balances at the year end. These statements are supplemented by a series of notes to the accounts which expand on items in the primary statements or provide further information about the Fund.

5.2 During 2018/19, the WMPF grew in value by £294 million. The reasons for this were:

	Increase/(Decrease) in Fund £m
Net gains in the value of investments	445
Investment income receivable	237
Bulk transfer into the Fund	14
<b>Sub-total net increases</b>	<b>696</b>
Net contributions receivable/benefits payable	(307)
Management expenses charged to the Fund	(87)
Net transfers of members out of the Fund	(8)
<b>Sub-total net decreases</b>	<b>(402)</b>
<b>Total increase in the Fund value</b>	<b>294</b>

5.3 It is worth noting that the balance of contributions and benefits is negative in 2018/19 – the £307 million shown in the table above – this is because most of the Council bodies had already paid three years Future Service and Past Service Deficit contributions in advance in the previous financial year and these were reported in the 2017/18 accounts. The balance between the two is likely to be negative again in 2019/20. The figure for contributions receivable also includes £24.2 million paid by employers to cover early retirement strain costs, reflecting the additional contributions received as a result of employer staffing decisions taken during the year.

5.4 Net assets of WMPF at 31 March 2019 stood at £15.7 billion up from £15.4 billion at 31 March 2018. This comprised investment assets of £15.6 billion and working balances of £139 million.

5.5 The Fund has taken the option under the Chartered Institute of Public Finance and Accountancy (CIPFA) code to disclose the present value of all Fund employer pension liabilities in a note to the accounts. This value, calculated on an IAS19 basis, stood at £22.5 billion at 31 March 2019. This is a slight increase on the 31 March 2018 figure of £22.1 billion primarily due to adjustments to the actuarial assumptions.

5.6 The ITA Fund decreased in value by £0.3 million. The reasons for this were:

	Increase/(Decrease) in Fund £m
Investment income	17.2
Net decrease in the value of investments	(0.4)
<b>Sub-total net returns on investments</b>	<b>16.8</b>
Net contributions receivable/benefits payable	(16.1)
Management expenses charged to the Fund	(1.0)
<b>Sub-total net withdrawals &amp; expenses</b>	<b>(17.1)</b>
<b>Total decrease in the Fund value</b>	<b>(0.3)</b>

5.7 Benefits payable exceeded contributions receivable by a significant margin reflecting the greater maturity of the ITA Fund and the fact that it is a closed fund.

5.8 Net assets of the ITA Fund at 31 March 2019 stood at £491.7 million down slightly from £492 million at 31 March 2018. This comprised investment assets and annuity buy-in contract totalling £488 million and working balances of £3.7 million.

## **6.0 Financial implications**

6.1 The financial implications are discussed in the body of the report.

## **7.0 Legal implications**

7.1 The Statement of Accounts of the Administering Authority (of which the Fund's accounts form part) must be prepared in accordance with the statutory framework established by the Accounts and Audit Regulations 2015. The audit of the financial statements will be undertaken in accordance with the statutory framework established by sections 3 and 20 of the Local Audit and Accountability Act 2014.

## **8.0 Equalities implications**

8.1 This report has no equalities implications.

## **9.0 Environmental implications**

9.1 This report has no environmental implications.

## **10.0 Human resources implications**

10.1 The report has no human resources implications.

## **11.0 Corporate landlord implications**

11.1 This report has no corporate landlord implications.

## **12.0 Schedule of background papers**

12.1 None

## **13.0 Schedule of appendices**

13.1 None

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<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Pensions Board</b> 22 October 2019
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<b>Report title</b>	Investment Update	
<b>Originating service</b>	Pension Services	
<b>Accountable employee(s)</b>	Jill Davys Tel Email	Assistant Director, Investments & Finance 01902 550555 <a href="mailto:Jill.davys@wolverhampton.gov.uk">Jill.davys@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Rachel Brothwood Tel Email	Director of Pensions 01902 551715 <a href="mailto:Rachel.brothwood@wolverhampton.gov.uk">Rachel.brothwood@wolverhampton.gov.uk</a>

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**Recommendation for noting:**

The Board is asked to note:

1. The update on investment related matters including responsible investment and investment pooling.

## 1.0 Purpose and background

- 1.1 This report provides an update on investment related matters including the ongoing development of LGPS Central Investment Pool and the Fund's responsible investment activities.
- 1.2 LGPS Central Ltd ("the Company") is a jointly owned investment management company established by West Midlands Pension Fund and seven Partner Funds to deliver investment pooling for the LGPS Central pool in accordance with the criteria laid down by the Secretary of State. The Company obtained FCA authorisation of the operator and Authorised Contractual Scheme (ACS) in January and February 2018 respectively and formally launched in April 2018. The business case for the pool is focused on securing longer term investment cost savings and supporting delivery of Partner Funds' strategic investment objectives.
- 1.3 Investments products and services to Partner Funds are being developed, supported and overseen by the governance structures established within the Company and across the wider investment pool. The Shareholder Forum and Joint Committee each meet at least twice annually with the Shareholder Forum considering shareholder related matters such as the company's strategic business plan, annual budget and annual report and accounts. The Joint Committee is focused very much on client deliverables of investment pooling, together with governance and oversight of pooling arrangements.
- 1.4 The Fund has a longstanding policy of supporting good corporate governance in the companies in which it invests. The Fund will also challenge companies who do not meet either the standards set by their peers or reasonable expectations as measured by best practice. The Fund's approach is part of its overall investment management arrangements and its active responsible investment framework. There are three main pillars to the framework: **selection** (of assets), **stewardship** (of assets), and **transparency & disclosure**.
- 1.5 The Responsible Investment Framework and other relevant RI policy documents are reviewed and approved annually by the Pensions Committee.

## 2.0 LGPS Central Investment Pool Sub-Fund Development and Asset Transition

- 2.1 As previously reported to the Board, since launch and over the next 2-3 years, a range of internally and externally managed sub-funds are being developed and launched for liquid (e.g. equities and bonds) and alternative more-illiquid asset classes (e.g. private equity, property, infrastructure).
- 2.2 WMPF works closely with LGPS Central Ltd and its Partner Funds to agree sub-fund product development, a protocol for which has now been established to deliver the investment products that Partner Funds need to meet their strategic requirements, pooling objectives for return and cost savings and broader strategic objectives including responsible investment. The product development protocol also provides Partner Funds with the opportunity to undertake due diligence of the process and products as they progress along the development pipeline and gain the necessary assurance to transition assets across to LGPS Central Ltd.

- 2.3 Review of the first transition of the Fund's internally managed equity assets in April 2018, with total asset value of £5.2 billion, has now been completed by internal audit and has received substantial assurance. The Fund has since made further investments with LGPS Central Ltd which include both active global equities and a commitment to private equity.
- 2.4 The Fund's Investment Advisory Panel, comprising external advisers, the Director of Pensions and Assistant Director (Investment and Finance), continue to review investment in sub-funds as they are developed taking into account the strategic fit for WMPF. The Pensions Committee are kept updated on product development and are asked to re-confirm delegations to transition assets as appropriate to these emerging sub-funds.
- 2.5 LGPS Central has launched an Emerging Market Equities sub-fund which WMPF will allocate to in due course. Other sub-funds currently in the launch process include, Corporate Bonds and a Climate Factor-Based Fund, with the latter due to launch in early October. The new Climate Factor Fund aligns with the Fund's investment beliefs and will help the Fund to meet objectives set in the Climate Change Strategy and Framework agreed in March 2019.
- 2.6 The product development pipeline continues to evolve and be reviewed as strategic priorities and opportunities develop.

### **3.0 LGPS Central Investment Pool Governance**

- 3.1 As previously reported to the Board, the governance arrangements for the LGPS Central pool include a Shareholder Forum (as the group of "owner" representatives) and the Joint Committee (focused on investment matters and client-side). The Joint Committee has invited a trade union representative to join the Committee and is waiting for a nomination from the TUC. A representative from the West Midlands' Pension Committee is currently attending on an informal basis. The Practitioners Advisory Forum, PAF (officer group) support both groups and act as a liaison with the Company.
- 3.2 The Shareholder last met in February 2019 and are next due to meet in November 2019.
- 3.3 The Joint Committee will meet in December to receive an update on workstreams from the Practitioners Advisory Forum (including finance, investment, client and governance oversight and responsible investment), along with the risk and audit assurance framework, and delivery and performance updates.
- 3.4 The Board were previously advised of draft guidance issued by Ministry of Housing, Communities and Local Government (MHCLG), noting, the emphasis on the Pool governance and oversight. It is understood that a formal consultation is due to be issued but is now not expected until the late autumn.
- 3.5 LGPS Central Limited's own governance arrangements include an Investment Committee, Executive Committee and oversight from the Non-Executives through the company board and sub committees (Remuneration and Audit and Compliance). The Company also sought and obtained permission from Shareholders to recruit for an additional non-executive director and the recruitment for that post is currently underway.

3.6 The Internal Audit Working Group which covers all Partner Funds is currently undertaking a governance audit of LGPS Central Investment pool, incorporating both the governance and oversight arrangements of Partner Funds and also the Company. The results of this audit work are expected to be presented to the Joint Committee in December. In addition, an Investment audit is due to commence towards the end of the calendar year and early into next year and again the results of this audit will be presented to the Joint Committee.

#### 4.0 Responsible Investment

4.1 The Fund's strategy continues to be to engage with its investee companies and other key stakeholders through partnerships and on its own. The Fund aims to protect and increase shareholder value by engaging on a range of financially material ESG investment factors. A significant part of the Fund's engagement programme is implemented through partnerships including the Principles for Responsible Investment (PRI), the Local Authority Pension Fund Forum (LAPFF), Hermes EOS (via a contract held by LGPS Central Limited, the pool operator company), Institutional Investors Group on Climate Change (IIGCC) and the UK Pension Fund Roundtable.

4.2 The Fund's engagement activity is monitored and reported to the Pensions Committee on a quarterly basis. Engagement activity includes a number of direct company engagements, on a range of themes, voting activity and working in partnership with other institutional investors to consider shareholder resolutions. Activity and progress are included in published reports from LGPS Central Limited and the Local Authority Pension Fund Forum (LAPFF).

4.3 As previously discussed the stewardship themes for engagement for the Fund for the current financial year are: Climate Change; Single-use plastics; Technology and Disruptive Industries; Tax Transparency and fair tax payment. Whilst not a specific theme for the year, the Pensions Committee were also keen that there was a focus on Human Rights and the Fund has also commenced more detailed reporting on this additional theme for Pensions Committee in addition to the previously agreed themes.

4.4 Through LAPFF, the Fund engaged with 62 companies during the quarter. Most engagements concerned climate change and Board composition. Four engagements led to a substantial improvement with a further five showing moderate improvement. Most engagements were conducted by writing letters to the company concerned, but a number of this quarter's engagement activities also took place through meetings. The issues are set out in the Quarterly Engagement Report which is available on LAPFF's website:  
<http://www.lapfforum.org/publications/qtrly-engagement-reports/>

4.5 Through Hermes EOS, the Fund engaged with 449 portfolio companies during the quarter, covering 1,039 environmental, social and corporate governance issues. Hermes EOS' activities support delivery against the Fund's stewardship themes as set out above alongside a broader range of engagement themes including human rights. Further details of Hermes EOS' engagement along with voting activity can be found within the Appendices to the main Pensions Committee Responsible Investment Committee Report:  
<https://wolverhamptonintranet.moderngov.co.uk/ieListDocuments.aspx?CId=186&MId=11794&Ver=4>

4.6 The Fund responds to all correspondence received directly from pension scheme members, campaign groups or via members of Pensions Committee. From time-to-time the Fund will issue statements to confirm its approach and work undertaking in relation to specific issues or concerns raised. Correspondence is discussed at each Pension Committee meeting.

## **5.0 Client reporting**

5.1 The Investment Team at LGPS Central Ltd are providing Funds with quarterly strategy updates along with broader market and training information. Quarterly stewardship reports covering engagement and voting are also being provided to Partner Funds as well as being accessible on the Company website, the latest quarter can be found at:

<https://www.lgpscentral.co.uk/wp-content/uploads/2019/03/LGPS-Central-Quarterly-Stewardship-Report-Third-quarter.pdf>

5.2 Monthly and Quarterly reporting on the LGPS Central Ltd sub-funds is being provided and the client oversight and governance group is working closely with the Company to further develop these reports to ensure that they will meet the reporting requirements of Partner Funds as the range of products and assets under management grows.

5.3 In July 2019, the pool held a Responsible Investor information day to which all Pension Committee and Pension Board members across the Central region were invited. This covered a range of topical issues and was well attended and received by attendees.

## **6.0 Financial implications**

6.1 The costs of the LGPS Central pool and the Fund's share of these are including within the Fund's annual budget and reported within the Fund's Annual Report and Accounts.

6.2 CIPFA guidance on the Pension Fund Annual Reports requires all Pension Funds to fully disclose progress on transition of assets, performance and costs in relation to both the ongoing management of the Pool and transition, thereby providing high levels of transparency on the implementation of investment pooling and the delivery against the business case.

6.3 MHCLG continues to monitor progress of all the investment pools on a regular basis with the latest update supplied in September 2019. This reaffirmed that the LGPS Central Pool remained on target to deliver the planned savings in the timescales set out in the original business plan.

## **7.0 Legal implications**

7.1 The requirement to pool fund investments is a requirement of law, failure to work collaboratively and meet the Government's criteria and timetable for delivery may result in Government intervention.

7.2 MHCLG issued updated draft statutory guidance relating to investment pooling for informal consultation in January 2019. This was to update and replace the original statutory guidance issued in 2015. Both the Fund and LGPS Central Ltd have provided responses to the

consultation and MHCLG and currently expected to issue a formal consultation later this year.

## **8.0 Equalities implications**

8.1 There are no direct equalities implications

## **9.0 Environmental implications**

9.1 There are no direct environmental implications

## **10.0 Human resources implications**

10.1 There are no direct human resources implications

## **11.0 Corporate landlord implications**

11.1 There are no direct Corporate landlord implications

## **12.0 Schedule of background papers**

12.1 Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016  
<http://www.legislation.gov.uk/ukxi/2016/946/contents/made>

## **13.0 Schedule of appendices**

13.1 None

<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Pensions Board</b> 22 October 2019
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<b>Report Title</b>	2019 Actuarial Valuation Update – process and emerging considerations	
<b>Originating service</b>	Pension Services	
<b>Accountable employee(s)</b>	Simon Taylor Tel Email	Head of Pensions 01902 554276 <a href="mailto:Simon.taylor2@wolverhampton.gov.uk">Simon.taylor2@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Rachel Brothwood Tel Email	Director of Pensions 01902 551715 <a href="mailto:Rachel.brothwood@wolverhampton.gov.uk">Rachel.brothwood@wolverhampton.gov.uk</a>

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**Recommendations for noting:**

The Board is asked to note:

1. The report and the associated update on progress with the 2019 actuarial valuation of both the West Midlands Pension Fund (the Main Fund) and the West Midlands Integrated Transport Authority Pension Fund (the WMITA Fund).
2. The wider influences which may have potential implications for the 2019 actuarial valuation.

## **1.0 Purpose**

- 1.1 To provide the Board with an update on progress of the 2019 actuarial valuation.

## **2.0 Background**

- 2.1 The Board received an overview of the 2019 actuarial valuation process at the meeting in July 2019.
- 2.2 This report is to update the Board on the progress of the 2019 valuation since July, noting in particular consultation to date and potential issues which will need to be addressed as a result of Scheme-wide change and consultation.
- 2.3 The purpose of the 2019 actuarial valuation is to set appropriate contribution rates for each employer in the Fund for the period from 1 April 2020 to 31 March 2023, as required under regulation 62 of the LGPS Regulations. This three-year period is currently being considered by Ministry for Housing, Communities and Local Government (MHCLG) following consultation to move to a quadrennial valuation cycle in line with other public service schemes. This could impact the number of years employer contributions are certified as part of the 2019 valuation and there is more detail on this in section 6 below.

## **3.0 2019 actuarial valuation progress**

- 3.1 Having reviewed and agreed both the member data and the cashflow information provided by the Fund, the Fund actuary is in the process of carrying out calculations with a view to providing provisional total Fund results. Progress over the summer has focused on development of employer covenant reviews and collation of information to inform review of the Funding Strategy Statement, including review of actuarial assumptions.
- 3.2 In addition the Fund, in conjunction with the Fund actuary, will be considering wider demographics assumptions (e.g. allowance for life expectancy, retirement ages, membership of the 50:50 section) to update these to reflect the most up-to-date Fund and national membership experience analysis available.

## **4.0 Employer covenant review**

- 4.1 As undertaken at the 2016 actuarial valuation and monitored in accordance with the Fund's Employer Risk Management Framework, the Fund is in the process of carrying out the 2019 covenant review.
- 4.2 The covenant review will be aligned to the 2019 actuarial valuation and this will form a key part of the engagement with employers prior to provisional results being released.

## **5.0 Wider influences**

- 5.1 As noted in the report provided to the Board on 2 July 2019, there are wider influences which might have potential implications on the 2019 actuarial valuation. The matters covered in this report have progressed since the July report as outlined below.

## **McCloud and Sargeant cases/Cost cap**

- 5.2. Since the last report, on 27 June 2019 the Supreme Court denied the Government's request for an appeal in the case. This ruling has implications for the LGPS, as well as other public sector schemes, as transitional protections were introduced to the LGPS with effect from 1 April 2014 which were age dependent. As a result, the likelihood is that the LGPS will have to honour the transition measures for all members.
- 5.3 Whilst the ruling therefore provides greater certainty in terms of the McCloud/Sargeant ruling standing, it is unclear at this stage what remedial action will be taken, to be either imposed by the Employment Tribunal or negotiated and applied to all public service schemes.
- 5.4 In January the Government announced that it would be pausing the cost cap mechanism in the absence of any certainty as to pension costs and funding. The Government has suggested that it is impossible to assess the value of the current pension arrangements until there is more certainty and the results of the schemes' actuarial valuations are received.
- 5.5 Whilst there is still uncertainty around any potential remedial action, there are a number of possible implications for employer accounting standards, the actuarial valuation and Fund administration.
- 5.6 In light of the Supreme Court's decision many auditors are requiring employers to provide for the potential impact of the McCloud judgement within their annual reports and accounts. As such the Fund, in conjunction with the Fund actuary, has decided to incorporate this information into this year's FRS102/IAS19 statements for those employers who obtain accounting standards via Barnett Waddingham unless they elect not to do so. The basis for this impact assessment is to use the Government Actuary's Department (GAD) analysis as a starting point, but to adjust for individual employer membership profiles.
- 5.7 On 28 August 2019, MHCLG wrote to the Local Government Association (LGA) to suggest that funds should carefully consider LGPS Scheme Advisory Board guidance, issued in May 2019. Scheme regulations require that, in undertaking a valuation of the fund, an actuary must have regard to the requirement to secure the solvency of the pension fund and the long-term cost efficiency of the Scheme. In meeting these requirements, MHCLG expect administering authorities to discuss the treatment of McCloud with their actuary and disclose clearly in their funding strategy statement (FSS) the approach taken to the risks and potential extra costs arising.
- 5.8 In the context of the 2019 actuarial valuation, the Fund is considering the approach to be taken for McCloud in conjunction with the Fund actuary, to include reference in the FSS.
- 5.9 By way of context, a prudent estimate is that LGPS liabilities could increase by 1% as a result of McCloud, which is likely to translate to fund-level, but noting there will be variances at individual employer level.

5.10 With any potential remedy likely to apply from the date transitional protections applied in the LGPS i.e. 1 April 2014, there could also be a significant administrative impact and cost where there is a requirement to review benefits on a retrospective basis. Developments on these issues will continue to be monitored and reviewed as the valuation progresses.

## **6.0 Timing of future actuarial valuations**

6.1 The report provided to the Board in July 2019 covered a MHCLG consultation, which closed 31 July 2019, regarding the proposal to move local valuations to a 4-year cycle and the steps required to transition to this. The Fund's provided a full response to this consultation, noting in summary:

- a move to a quadrennial cycle for local funding valuations may create additional funding risk and contribution volatility for the Fund and participating employers and is therefore not, in isolation, supported
- the ability for administering authorities to undertake interim valuations (at Fund or individual employer level) would need to be accommodated to mitigate risk, with a preference to avoid terms for undertaking being overly prescriptive.
- supporting guidance would help support Fund's with implementation, ensuring consistency and appropriate use
- proposed changes to Exit Credit provisions require further consideration including clarity of Fund legal position and distinction between terms of Fund admission agreements and contractual terms between employers

## **7.0 Valuation consultation process**

7.1 The Fund is consulting with the West Midlands Finance Directors, who represent the district councils, at meetings in June 2019 and July 2019 with a follow-up conference call held on 30 September 2019.

7.2 As confirmed in the July 2019 report, the Fund held four separate 2019 actuarial valuation briefing sessions in June and July across the West Midlands region. These briefing sessions were attended by 99 employers and stimulated a good level of engagement. The primary purpose of these briefing sessions was to provide employers with a "what to expect" perspective on the 2019 actuarial valuation, with the McCloud judgement and potential Scheme change proving to be areas of significant interest across all groups.

7.3 The Fund is engaging with other sector-groups of employers on request and has also engaged with both WMITA Pension Fund employers, to progress the covenant review and ongoing investment strategy review.

7.4 Between November 2019 and January 2020 the Fund will offer a series of group consultation meetings across the region to discuss provisional results and to consult on change to the Funding Strategy Statement (FSS). During the same period, individual employer meetings will be facilitated by the Fund on a request basis.

## **8.0 Financial implications**

8.1 This report has financial implications for employers and guarantors in that the outcomes will drive contribution requirements as part of the 2019 actuarial valuation, effective from 1 April 2020.

## **9.0 Legal implications**

9.1 The report contains no direct legal implications

## **10.0 Equalities implications**

10.1 The report contains no direct equalities implications.

## **11.0 Environmental implications**

11.1 The report contains no direct environmental implications.

## **12.0 Human resources implications**

12.1 The report contains no direct human resources implications.

## **13.0 Corporate landlord implications**

13.1 The report contains no direct corporate landlord implications.

## **14.0 Schedule of background papers**

14.1 None.

## **15.0 Schedule of appendices**

15.1 None.

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